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China Report

ECONOMIC AFFAIRS

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31 December 1985

CHINA REPORT

ECONOMIC AFFAIRS

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NATIONAL POLICY AND ISSUES

PRC SPECIALISTS' REPORT ON CHINA'S FUTURE

HK271538 Beijing XINHUA Hong Kong Service in Chinese 1002 GMT 23 Nov 85

[Article reprinted from LIAOWANG: "Invigoration in 100 years, China's Advance Toward the Future--short commentary on the publication of the research report on 'China in the Year 2000'"]

[Text] Hong Kong, 23 Nov (XINHUA)--LIAOWANG Overseas Trial Edition No 3, which will be published soon, will carry a short commentary by one of its reporters. Excerpts of the commentary are as follows.

In the competition for the future, the United States and the Soviet Union have expanded their contention from the ground to space, whereas China is focusing its attention on peaceful development the next century. The publication of the research report on "China in the Year 2000" symbolizes this.

This research report is the crystallization of the wisdom of some 400 Chinese specialists. It is not a government document. The report was completed in February this year and submitted to the State Council in May. In September, the State Council distributed the report to various departments at the central level and to various provinces, municipalities, and autonomous regions. Some of the results of the research will be published next year.

What was the background for the report? What bearings will it have on China?

Hu Yaobang Made Meticulous Preparations, Zhao Ziyang Formed a Brain Trust, and Zhongnanhai Attaches Importance to Formulating Policies in a Scientific Manner

On 3 March 1981, when women were gaily celebrating International Women's Day, the newly-appointed General Secretary Hu Yaobang invited Ma Hong, a famous economist and then vice president of the China Academy of Social Sciences, and responsible persons of RENMIN RIBAO and HONGQI to his house. On that day, Hu Yaobang was not feeling well and was having a rest in bed. However, he discussed economic problems with his guests in high spirits. He asked two big questions: What kind of picture will China present by the end of this century? How will the Chinese people, who account for one-fifth of the world's population, lead their material and cultural life? He hoped that they would give a detailed and vivid description of the future so as to encourage the people to work harder.

Naturally, the general secretary asked the questions out of political consideration. After the 10 years of turmoil, where would China go? The Chinese people talked much about this, as did world opinion. The CPC gave the answer: China will shift its work focus to the socialist modernization drive. Deng Xiaoping also gave an answer: China will build socialism with Chinese characteristics and will enable its people to live a comparatively better-off life by the end of this century, with the per capita industrial and agricultural output value of \$800 to \$1,000.

The proposition of the targets will undoubtedly bring new hope for post-turmoil China. But are these targets realistic? How should we realize them? What are the best methods? It is necessary to answer these questions in a scientific manner.

In May of the same year, then newly-appointed Premier Zhao Ziyang formed a brain trust in the State Council under his leadership--the Technological and Economic Research Center of the State Council. The task of the center is to make scientific analysis and forecast concerning the feasibility of major technological and economic measures and construction projects and to make suggestions to the State Council. Thus policymakers can conduct direct formal dialogues with the brain trust. Such discussions were not easily seen in China after the "Cultural Revolution" was put to an end.

This idea was proposed as early as Zhao Ziyang began to take charge of the State Council. He said at a meeting that it would not do to directly submit major problems in economic work to the State Council for approval. He suggested that the State Council set up a research and advisory organ. A standing committee meeting of the State Council approved his suggestion.

After its establishment, the Technological and Economic Research Center submitted to the State Council a research plan on "China in the Year 2000," which had been drawn up by a group of specialists and academics organized by the center. Premier Zhao Ziyang immediately wrote an instruction as follows: "'China in the Year 2000' is a major scheme. With a good-quality treatise, it will have important significance. So we must make a good job of it." This research was listed in the Sixth 5-Year Plan as a key scientific research project of the state and enjoyed direct support from the State Council.

Specialists Cooperated in Drawing a Picture of China in the Year 2000

Will Chinese specialists be able to shoulder the heavy task entrusted by Hu Yaobang and Zhao Ziyang and make a good job of it? The research on "China in the Year 2000" is a huge subject of system engineering. It is faced with a large variety of economic, technological, and social (including environmental) problems and requires an interdisciplinary, interdepartmental, multidirectional, qualitative, and quantitative ecological study. In addition, during the "fever of research on the future of the world," many works have been published but none of them has been completed by a developing country itself. Can China fulfill this huge system engineering project?

Comparing the proposition for the research work in 1981 to its overall development in 1983, personnel in Chinese scientific circles were very enthusiastic and showed full confidence in the work. In February 1981, breaking away from the long-term practice of each doing things in his own way, Beijing social and natural scientists jointly held a seminar on the strategy for Chinese economic and social development. They proposed at the seminar that China should work out its own long-term development strategy and have a clear perception of its own conditions. They had a heated discussion on this problem. From then on, seminars on development strategy have been held in succession.

The research work on "China in the Year 2000" proceeded under the leadership of the Technological and Economic Center of the State Council with the participation of the China Academy of Social Sciences, the State Planning Commission, the State Economic Commission, and the State Science and Technology Commission. A leading group composed of nine specialists was in charge of the research work. With Ma Hong as the group leader, the other group members were Zhang Tao, Sun Shangqing, Zhu Rongji, Lin Hanxiong, Zhang Pan, Lin Zixin, Yang Weizhe, and Wang Huijoing. This specialists group was composed of social and natural scientists. It performed leadership work and was proficient in science. The establishment of this group indicates that China has hoped for and attaches importance to research work on its future.

The group adopted advanced international principles on system organization and conducted a subject study, a branch study, and a general study on each study a relevant report was made. This research work lasted over 2 years.

The research report on "China in the Year 2000" submitted by Chinese scientists to the State Council includes a general report and 12 annex reports on the Chinese population and employment in the year 2000, China's economy, its people's consumption, science and technology, education, natural resources, energy, environment, agriculture, communications and transportation as well as on the international environment and a general quantitative analysis of China in the year 2000.

There are also important reports on special subjects, such as Chinese society, culture, health work, physical culture, broadcast and television work, telecommunications, foreign trade, seas, and building materials in the year 2000.

The 10,000-plus research workers of the 108 associations affiliated with the China Association for Science and Technology took part in a forecast research and obtained results containing some 10 million words.

The conclusion of the research on China in the year 2000 made by the Chinese specialists organized by the research group is similar to that drawn by the World Bank each having its own strong points. The research by the World Bank on international studies is profounder than China's research, whereas the Chinese specialists have done better than the World Bank with regard to economic structural selection and policy analysis. With respect to research methods, the World Bank follow the macromathematical pattern, whereas China

uses seven different principles and methods to analyze the economic and social structure. Mr Lin Chong-keng, head of the World Bank delegation, had the following to say on China's research: "The progress in China's economic research field is more important than the achievements it has made in actual economic work."

Of course, it is too early to make an overall appraisal of the results of the research on "China in the Year 2000." However, its birth indicates that China has entered the period of modernization with regard to the research on policy-making and leadership over such a research. It has entered a new period in terms of the overall strategy for coordinated economic, technological, and social development. These two aspects are indispensable factors for China to advance toward the future.

On the Basis of Having a Clear Perception of the National Conditions and Selecting a Good Strategy, Chinese Scientists Made a Scientific Forecast

Opening the "General Report on the Research on China in the Year 2000," one can see these eye-catching lines: "By the end of this century, China will become a powerful socialist country with a stable political situation, a prosperous economy, and solid national strength in which the people live healthily and happily. We will present to the world a comparatively perfect socialist model with Chinese characteristics which is full of creativity and vitality."

This is the conclusion of the Chinese specialists.

By the year 2000, the 1.2 billion Chinese people will experience a better-off life full of variety. The economic strength of the state will rank fifth or sixth in the world. Adopting a new method to analyze the people's consumption and based on a population forecast and the research on the better-off life of the people, the Chinese specialists designed a picture of China by the end of this century.

The specialists pointed out that to realize this picture, the following three conditions are necessary: a peaceful international environment, a domestic political situation of stability and unity, and determination and resolution in reforms.

After making an overall qualitative and quantitative analysis of national conditions, the specialists pointed out that on our way to the year 2000, we will meet with these difficulties: The population will increase by 200 million and the pressure of employment will become heavier; education, science, and technology will lag far behind the needs for economic development; transportation, telecommunications, and energy will seriously restrict national economic development; ground resources will run short; the ecological situation will deteriorate; and there will be a shortage of funds.

The specialists maintained that the method of coordinated national economic development is suited to China's national conditions and that it is necessary

to discard the plan for setting up a heavy economic structure and seeking an ultrahigh rate of development, which has made China endure untold sufferings for over 30 years.

If the readers compare the policies explored by the specialists with China's current policies and its suggestions for the Seventh 5-Year Plan, they will easily find many similarities.

The report by the Chinese specialists enables people to have a clear perception of the bright prospects China has for the coming 15 years and to see the gap between China and the developed countries in terms of economic strength, the people's livelihood, science technology, and education. Deng Xiaoping, chief designer of China's modernization, stressed that China will concentrate its efforts on reforms in order to lay a foundation for sustained development for the coming 5 years, 10 years, and 50 years. By the middle of the next century, that is, the centenary of the founding of China, our country will approach the development level of the developed countries in the world.

A thousand-mile journey is started by taking the first step. History is moving forward, and China is engaged in 100 years' invigoration!

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CSO: 4006/368

NATIONAL POLICY AND ISSUES

ZHU RONGJI ON INDUSTRIAL TECHNOLOGICAL PROGRESS

OW021227 Beijing Domestic Service in Mandarin 0630 GMT 1 Dec 85

[Recorded talk by Zhu Rongji, vice minister of the State Economic Commission: "Sum Up Experience, Enhance Achievements, and Make Further Technological Progress in Enterprises"]

[Excerpts] Since the 3d Plenary Session of the 11th CPC Central Committee, the party Central Committee and the State Council have summed up the experience of the 30 preceding years in economic construction, and pointed out that economic construction must rely on progress in science and technology.

The proposal of the CPC Central Committee for the Seventh 5-Year Plan, adopted at the recent National Conference of Party Delegates, has clearly and definitely pointed out: We must shift the emphasis of development to the technological transformation, renovation, and expansion of existing enterprises, and have them expand production chiefly by intensive means.

This is a basic principle for China's socialist modernization. Serious implementation of this principle is of far-reaching significance for raising the level of production and technology of China's enterprises and for laying a good foundation for our economic development in the 1990's.

During the Sixth 5-Year Plan period, we have made remarkable achievements and gained initial experience in the work of making technological progress in enterprises. Generally speaking, however, this work is still in its initial stage, with some problems that should not be overlooked.

Some localities and enterprises pay attention to enhancing production capability only, to the neglect of putting the stress of technological progress on improving quality and lowering consumption. Other localities and enterprises want to import assembly lines and equipment only, and pay no attention to using imported technology to create new technology and enhance our own production capability. Still others are copying old products, and attach no importance to developing new products and accelerating the upgrading of products. The enterprises in general are not paying sufficient attention to training of qualified personnel. In particular, the situation in which more attention is paid to capital construction than to technological transformation has not yet been improved. This shows that some comrades have not

yet completely unified their thinking with the principles and policies of the party Central Committee.

The proposal of the CPC Central Committee for the Seventh 5-Year Plan has clearly and definitely pointed out: Technological transformation should focus on the large and medium-sized enterprises that have a vital bearing on the overall economy, on those key enterprises that will serve as examples and leaders in technological progress in their fields, and on those that produce commodities for export. Enterprises should focus on improving the quality and properties of products, increasing variety and lowering the consumption of energy and raw materials, and they should not seek solely to expand capacity.

We should plan our 1986 work regarding technological progress in accordance with this general guidance.

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NATIONAL POLICY AND ISSUES

NATIONAL CONFERENCE TO PLAN TECHNICAL PROGRESS FOR 1986

HK250525 Beijing CHINA DAILY in English 25 Nov 85 p 1

[By staff reporter Chen Guanfeng]

[Text] A 10-day national conference began in Beijing yesterday to draw up blueprints for the country's technical progress next year.

Co-sponsored by the State Economic Commission, the Ministry of Finance and the People's Bank of China, it will focus on policies, plans, regulations and specific measures for speeding up technical advance, especially in key state enterprises.

More than 600 senior economic and financial figures are expected to tackle the issues, including ways to improve the quality of industrial products, renovation of large and key state enterprises, technical imports and macro control.

They will also help select 500 key state enterprises for major upgrading projects next year.

Also on the agenda are the issues of diverting more military production to civilian use, deciding 3,000 technical import items for the years 1986 - 1988, and the assimilation of key technical imports, including the technology to manufacture color TV sets.

The conference will look at policies and regulations on raising the depreciation allowance and reducing the readjustment tax rate of enterprises, granting them the right to do business directly with foreign countries, and giving them priority bank loans for technical upgrading.

"Technical advance is of strategic significance to the development of our national economy, and will remain our chief task for years to come," Lu Dong, the commission's minister, said at the conference's opening ceremony.

The minister outlined five major tasks for promoting the country's overall technical level next year: Shifting the main emphasis from small village-run industry to large key state enterprises, speeding up the assimilation of imported production technology, importing technology for the technical upgrading program, and facilitating its application.

Zhu Rongji, the commission's vice-minister, said the country had made remarkable achievements in terms of technical advance during the Sixth Five-Year Plan period.

From 1980 to 1985, Zhu said, the state had spent 140 billion yuan to complete technical upgrading projects, creating additional production capacity of 12 million tons of steel and 36.4 million tons of coal. Coal transport capacity out of Shanxi Province, for instance, has increased by 30 million tons and port cargo handling capacity by 13 million tons.

The technical import plan for the period had been overfulfilled, he said. Contracts for more than 3,000 technical import items have been signed, involving more than \$2.9 billion. One-third of the imports were software technology and the rest production lines or key equipment, Zhu said.

Breakthroughs have been achieved in 24 key scientific and technical projects, including the manufacture of large-scale integrated circuits, energy saving, petrochemical processing and the comprehensive utilization of oil.

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CSO: 4020/110

NATIONAL POLICY AND ISSUES

ADVANCES IN SIXTH 5-YEAR PLAN ASSESSED

OW231204 Beijing XINHUA in English 1132 GMT 23 Nov 85 OW]

[Text] Beijing, November 23 (XINHUA)--China owes two-thirds of its increased industrial output value to the upgrading and managerial improvement of enterprises, according to government sources.

Technical progress over the past five years has brought in an additional production capacity of 1.2 million tons of steel, 36.4 million tons of coal, and an additional transport capacity of 30 million tons of coal out of Shanxi Province, China's leading coal producer, and an extra cargo handling capacity of 13 million tons in all ports.

The total amount of energy saved was equivalent to 22 million tons of standard coal, the sources said.

China has spent 140 billion yuan on upgrading enterprises during the Sixth Five-Year Plan (1981-1985). The investment involved a total of 200,000 projects.

The 550 technical transformation projects in the machine-building and electronics industries have already yielded tangible results. The number of new machinery products developed over the past three years came to more than 4,000. Color television sets produced can work for an average of 15,000 hours without breaking down and have found their way into the world markets.

Up to June 30, agreements on 3,010 items of technical imports had been concluded, more than planned. Measuring up to the world standards of the 1970s and early 1980s, the items have promoted quality and variety of industrial products and lower consumption.

The 1,200 technical transformation projects are being carried out in the coastal export-oriented textile enterprises, with emphasis on developing new chemical fibers and improving the dyeing and finishing processes.

Breakthroughs have been made in tackling 24 of the 38 key scientific and technical problems in eight fields, including the manufacturing of large-scale integrated circuits and computer technology, energy saving techniques, petro-chemical intensive processing and comprehensive utilization of oil.

The oil production method during the high water bearing stage at the Daqing oilfield has yielded an additional 61 million tons of crude oil in the past five years.

In addition, the country has completed 40 projects in disseminating results of science and technology, including new types of thermal insulation and fire resistant materials, new techniques for the utilization of solar energy and methane, tunnelling machines for thin coal seams, trace element fertilizer, highly effective, low toxic and low residual new insecticides, industrial pumps and boilers and the exploration of rare-earth sources.

Over 80 percent of the new research results have been widely applied. Seventeen of them have achieved an economic result of 100 million yuan each.

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CSO: 4020/110

NATIONAL POLICY AND ISSUES

PRC ECONOMISTS DISCUSS GUANGZHOU'S DEVELOPMENT

HK300710 Beijing ZHONGGUO XINWEN SHE in Chinese 1506 GMT 27 Nov 85

[Text] Beijing, 27 November (ZHONGGUO XINWEN SHE)--At a Beijing symposium on the strategy for Guangzhou's economic and social development, famous Chinese economists Yu Guangyuan, Xue Muqiao, and Xu Dixin said that they subscribed to the "tentative ideas on the strategy for Guangzhou's economic and social development," and gave their views respectively.

Yu Guangyuan pointed out that Guangzhou's tertiary industry should also include real estate, rather than merely paying attention to the catering and service trades. He said that up to now Guangzhou still does not have a publishing house of its own, and certain aspects of its education have lagged behind the nation's average level. All this should be taken into careful consideration and placed in an important position in future strategic plans.

Xue Muqiao said: The "tentative ideas on the strategy for Guangzhou's economic and social development," which were put forward after 3 years' investigation and study, have defined the orientation of Guangzhou's development in this century and are of great significance. He said that in the past Guangzhou had blindly developed heavy industry to the neglect of the development of agriculture, animal husbandry, and the light and textile industries which are capable of producing export goods for foreign exchange. Fortunately it has not gone too far in this respect. Now the target and orientation have been defined as "taking foreign economic contacts and trade as the guide and industry and agriculture as the basis, and laying stress on the light and textile industries and the tertiary industry." This is correct, and conforms to Guangzhou's realities.

Xu Dixin spoke highly of the idea on "gradually removing and transforming some old industrial enterprises in the city area as possible under the economic and social conditions and shift, in a planned way, a number of high energy and labor consumption industrial enterprises, industries, and working procedures, which occupy large spaces, to nearby suburbs, counties, and small towns," saying that this is a matter of vital and lasting importance. He suggested that protecting Guangzhou's ecology should also be emphasized by the report.

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CSO: 4006/368

NATIONAL POLICY AND ISSUES

PRC OFFICIAL ON TECHNICAL SERVICE, TECHNOLOGY TRANSACTION CENTERS

HK300342 Beijing CHINA DAILY in English 30 Nov 85 p 1

[Article by staff reporter Chen Guanfeng]

[Text] Trade in technology is expected to enter a new phase of development during the Seventh Five-Year Plan period, according to the State Economic Commission.

From 1986 to 1990, a large number of permanent advisory centers handling technical services and technology transactions will be set up in major cities as part of the country's determination to accelerate the application of new scientific and technical achievements to production.

To promote the work, a national group has already been set up with State Council approval, and subgroups are being set up in all relevant government departments, provinces, municipalities and autonomous regions.

The State Economic Commission (SEC) called a national conference earlier this month to oversee and organize the new development, and to regulations, one on the establishment and another on the management of these centers are now under consideration.

SEC vice-minister Lin Zhongtang told CHINA DAILY: "To speed up the establishment of more permanent centers for technical services and technology transactions will be one of our priority tasks during the next five years.

"Centers for technology transactions are bridges for the circulation of technology, and play an important role in linking scientific research and production," he said.

"Existing technical propagation stations, industrial exhibition halls and other similar institutions should all work to promote such transactions," he said. However, while encouraging such transactions, he stressed, people should avoid the slavish pursuit of money.

"We will never allow malpractices such as deception, fraud and profiteering," he warned.

All technology and equipment will face strict examination and appraisal before being allowed to be recommended by transaction centers.

All transactions will have to be conducted through contracts, and the party that sells technology will have to be able to provide after-sale service. "If an item of technology proves to be useless, the seller should compensate the buyer for any losses that he may suffer," Lin said.

"All those who employ trickery and make unrealistic claims should be regarded as economic criminals and punished accordingly, and Party members involved in such cases should be expelled from the party," he warned.

Trade in technical services and technology began to take off six years ago when the State Council issued regulations to make technology a tradeable commodity. This move abandoned the idea for the first time, since the founding of the People's Republic, that technology is common property, to be shared by all. The regulations gave the green light to all units and individuals to deal in technology beyond the scope of their own regions and departments.

In the last two years, more than 56,000 transactions involving technology have taken place, amounting to about 3.2 billion yuan. During the first national trade fair of scientific and technical achievements last year, business totaled 8 billion yuan.

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CSO: 4020/115

NATIONAL POLICY AND ISSUES

COAL MINISTER ADDRESSES MODEL WORKER CONFERENCE

OW301708 Beijing XINHUA in English 1445 GMT 30 Nov 85

[Text] Beijing, 30 Nov (XINHUA)--China's coal output this year is likely to surpass 830 million tons, and possibly reach 850 million tons, coal industry minister Yu Hongen said here today.

Addressing a national conference to praise model workers and units in the industry, Yu said this level of output would make China the second biggest coal producer in the world.

More than 1,000 delegates are attending the three-day conference, which opened today.

The 57-year-old minister said coal production had increased by an average of 42 million tons every year in the sixth five-year plan which ends this year.

In 1981, the figure was 620 million tons. By 1983, it had risen to 710 million, which had been the target for 1985.

Last year, coal output reached 789 million tons, and in the first nine months of this year, 64 million more tons of coal was produced than in the same period of 1984.

This level of production achievement has never been made in any previous five-year plan.

The minister said that locally-run coal mines had also developed quickly over the past five years.

There were now more than 60,000 such mines compared with less than 20,000 in 1978.

The proportion of coal produced by local mines increased from 44.5 percent of the national total in 1980 to 50 percent last year.

Yu added that the steady and continuous growth of coal production had greatly eased supply shortages which had cropped up in previous years.

/9738

CSO: 4020/115

NATIONAL POLICY AND ISSUES

REFORM OF TRADE STATISTICS SYSTEM IN SPECIAL ECONOMIC ZONES

Beijing TONGJI YANJIU [STATISTICAL RESEARCH] in Chinese No 2, 7 Jun 85
pp 28-33

[Article by Wu Rongkun [0124 2837 0981]: "Reform of the Statistical System for Import-Export Trade in the Special Economic Zones"]

[Text]

I

The special economic zones [SEZs] are the doorways to the outside world through which China implements its open door policy and through which China imports foreign capital, advanced technologies and equipment, and advanced managerial experience, transmitting them to the interior and thereby accelerating China's four socialist modernization projects. The Shenzhen SEZ employs a variety of forms for the "import from abroad, form linkages with the interior" movement. From 1979 to 1983, agreements signed with foreign businesses involved investments of as much as HK\$13,223,000,000 and the importation, up to the end of March of 1983, of more than 15,000 items (and complete sets) of major equipment, of which about 30 percent are of advanced levels in China, very rapid development indeed.

Foreign capital is the primary source of funds for the construction of the SEZs. As to economic structures, they are primarily joint ventures, foreign-owned enterprises, cooperative management enterprises, compensation trade and the processing of imported materials, which are the main channels for the importation of equipment. As to the marketing of the finished products, primary emphasis is on sales abroad and the infiltration of international markets. Without exception, all these operations are linked with international trade and international income. This makes import-export trade, as conducted by the SEZs, more complex than domestic trade, and makes the demand for a reform of the current statistical system applied in import-export trade increasingly urgent.

II

The foreign trade sector already employs a relatively complete statistical system for their imports and exports. To save space, we shall not study this system per se, but shall concentrate on the study of problems in connection with the statistical system for imports and exports not conducted by the

foreign trade sector, such as those carried out by the commercial offices of the SEZs, by foreign-owned enterprises, joint ventures, cooperatively managed enterprises, as part of compensation trade operations, and by enterprises processing imported materials.

The SEZ commercial offices control considerable amounts of foreign exchange and are in a position to directly exchange renminbi for foreign currency at favorable exchange rates. The commercial offices are therefore increasingly engaged in import-export business, and the amounts involved in these imports and exports are becoming larger and larger. If statistics covering these transactions are inaccurate, or if ineffective statistical methods are used, it will be detrimental to the study and management of the SEZ economies.

On the forms used by the commercial offices for their statistical reports, it is prescribed: "Imports received (or importing) refers to the purchase and importation of commodities from abroad by the foreign trade departments or by units other than those of state-operated commerce, as well as to the commodities directly imported by the commercial offices. Products of Taiwan transshipped through Hong Kong shall also be included for the time being. Not included shall be domestic products traded by the foreign trade departments or domestic export products diverted to domestic sales, as well as domestic products for which the foreign trade departments effect settlement in foreign currency; also not included shall be small amounts of foreign goods purchased and brought in by residents of border areas." This provision treats as belonging to the category of "imports received" all foreign goods imported indirectly by the foreign trade departments or other departments and foreign goods directly imported by the commercial offices. It is a provision that is inappropriate for the SEZs as well as for non-SEZ areas, because in this way it leads easily to duplications in statistical computations. It means that one lot of imported commodities, once counted by the foreign trade department or other department having directly imported the goods, will, when statistically recorded, again be included in the computations of the commercial office system. Basically, the direct receipt of imports by the commercial offices and its indirect receipts are two different things within the overall imports. There are no intermediary links, but direct commodity trade with a foreign businessman, or with a businessman from Hong Kong or Macao, directly affecting movements in the international receipts and payments. The other is an indirect importation with the domestic foreign trade departments or other departments constituting intermediary links; it is an indirect trade transaction. The two must therefore not be mixed together in "imports received" statistics, but must rather be differentiated as two indices, "direct imports received" and "indirect imports received," to differentiate the two types. When recording statistics, only the "direct imports received" index should be entered, to avoid duplications in statistical computations. After setting up "direct imports received" and "indirect imports received" as separate statistical indices, we must demand that two similar account headings and commodity accounts be correspondingly set up in the accounts books, to treat directly imported and indirectly imported goods separately and in conformity with the statistical indices.

In the past, the reason why the commercial offices mixed together "direct imports received" and "indirect imports received" in their statistical entries

was that the systems internally studied the changes in the composition of domestic and of foreign commodities and gave no consideration to the demands for proper statistical reporting in foreign trade, thereby causing confusion in the statistical figures for import-export trade.

Because of price disparities for domestic products, depending upon whether they are bought with foreign exchange or with RMB, certain domestic products, if directly bought from the Guangdong Trade Fair or from the Foreign Trade Corporation Head Office and paid for with foreign exchange, or if domestic products are bought with foreign exchange through foreign merchants, such products could be bought at a much cheaper price than if RMB were used. For this reason we frequently see "return sales" occurring in the course of actual import-export trade, especially that of the SEZs. Domestic commercial departments use foreign exchange to buy domestic products disposed of through foreign merchants, or they buy domestic products directly from the Guangdong Trade Fair with foreign exchange. Because the commercial offices make a distinction in designating "imports received," depending on whether the goods were imported foreign products, the statistical report regulations stipulate: "Domestic products bought by domestic commercial enterprises from the foreign trade departments with foreign exchange shall be treated as 'allotted transfers'; domestic products bought by domestic commercial enterprises from foreign business establishments with foreign exchange shall only be treated as stock replenishment and not statistically reported as 'imports received' or 'allotted transfers'."¹ However, the statistics on the import-export business of the foreign trade departments do differentiate, the criterion being whether the credits were settled by foreign exchange, regardless of whether the foreign trade commodities were bought by a foreign business establishment or domestic commercial department, as anything for which credit is settled in foreign exchange will be computed as exports. Thus contradictions arise between the export-import statistics of the commercial office system and the Foreign Trade Corporation Head Office. The commercial offices are of the opinion that domestic products bought with foreign exchange from the foreign trade departments or from foreign business enterprises must not be counted as "imports received," but the Foreign Trade Corporation Head Office system is of the opinion that no matter who the buyer is, all domestic products bought from this system with foreign exchange fall under the category of imports. As a result, the discordant way that one lot of native products is being treated by the two systems destroys the reciprocal relationship of import-export figures in one and the same area, and this has also had a detrimental effect on computing the international balance of payments calculated in foreign currency. For instance, if one commercial department buys from the Foreign Trade Corporation Head Office one lot of domestic products for \$150,000 and uses \$500,000 to buy one lot of domestic goods from a foreign business establishment, while this foreign establishment had bought the products actually at \$480,000 from the Guangdong Trade Fair, the current accounts of these three transactions, according to the current statistical system, would be computed as follows:

¹"Explanation of Commercial Statistical Indices," Statistics Bureau of Guangdong Province, reprinted September 1982, p 88.

Table 1: Foreign Trade System Import-Export Statistics (unit: \$10,000)

	Imports	Exports
Purchased by foreign businesses	--	48
Purchased by commercial offices	--	15
Total	--	63

Table 2: Commercial Office Statistics on Commodities Bought, Sold and Put into Storage (unit: \$10,000)

	Imports received	Transferred In	Added to stock
Bought from foreign trade departments and imported	--	15	--
Bought from foreign enterprises and imported	--	--	50
Total	--	15	50

Table 3: Statistics on International Balance of Payments (Receipts from Foreign Trade) (unit: \$10,000)

	Receipts	Expenditure
Export trade receipts	15	--
Export trade receipts	48	--
Positive trade balance	--	63
Total	63	63

The above table, computed according to the current statistical system, shows a favorable trade balance of \$630,000. This, however, is divorced from fact. Actually, the domestic products which the commercial offices bought from the foreign trade system did not leave the country at all, the ownership of the foreign exchange was not transferred abroad, and nothing affected the international balance of payments. What truly affected the international balance of payments were the \$480,000 worth of goods the foreign trade system sold to the foreign enterprises and the \$500,000 worth of domestic goods bought by the commercial offices from the foreign enterprises. In other words, the international balance of payments should be statistically shown as follows:

Table 4: Statistics for International Balance of Payments (Foreign Trade Receipts and Payments)
(unit: \$10,000)

	Receipts	Payments
Receipts from foreign trade exports	48	--
Expenditures for purchases from foreign enterprises	--	50
Negative trade balance	2	--
Totals	50	50

The actual situation is that there is a negative trade balance of \$20,000, not a positive trade balance of \$630,000 as shown in table 3.

Viewed from the angle of statistical control of the balance of international receipts and payments, import-export statistics should uniformly take each country as a separate subject and reflect the commercial intercourse between China and the foreign country (or the Hong Kong and Macao territories). Our criterion for a line of demarcation should therefore be the time when there is a change in the ownership of the goods or of the foreign exchange, and we should not differentiate according to the foreign exchange payment or whether the goods are foreign or domestic products. Only by taking each country as a separate subject and by differentiating according to the time when ownership of the goods or foreign exchange changes can we achieve conformity between the import-export statistics of the foreign trade system and the commercial offices, and only then can we achieve conformity between the import-export statistics and the statistics for the international balance of payments.

I believe: First, all domestic products bought by domestic commercial departments from foreign trade departments, regardless whether paid for in foreign exchange or RMB, must uniformly be statistically treated by the foreign trade organizations as "exports diverted to domestic sales," and not as statistical exports, and the commercial offices must treat them statistically as allotted transfers. Second, all domestic products bought by domestic commercial departments from foreign enterprises, regardless of whether bought directly from abroad or directly in China, must be treated statistically as "direct import receipts." To meet the needs of the commercial offices to study the composition of domestic commodities and foreign commodities, the subheadings "imports of foreign products" and "return sales of domestic products" could be added under the category "direct import receipts" to resolve the problem of mutual disparity between import-export statistics and statistics on the international balance of payments.

If handled according to the above method, the import-export statistics of the departments concerned will become as shown in Table 5 below.

According to the newly designed statistical method, the the import and export statistics recorded in Table 7 completely correspond with the statistics on foreign trade receipts and payments in the "international balance of payments" in Table 4.

Table 5: Commercial Office System Statistics

(unit: \$10,000)

Item	Amount
Direct import receipts	50
Among these: resale of domestic products	50
Foreign trade system inward transfers	15
Total	65

Table 6: Foreign Trade System Statistics

(unit: \$10,000)

Item	Amount
Foreign trade exports	48
Among these: Purchases by H.K. merchants	48
Exports diverted to domestic sales	15
Among these: Transferred to commercial offices	15
Total	63

Table 7: System for Reporting Import-Export Trade Statistics (unit: \$10,000)

Imports		Exports	
Grouped according to sector	Amount	Grouped according to sector	Amount
Commercial offices	50	Foreign trade system	48
Total	50	Total	48

III

The statistics for import-export trade conducted in the particular forms of processing imported materials and compensation trade both concern trade that utilizes foreign materials in production and that will later export the finished products, receiving foreign exchange in payment. However, both are commercial transactions that differ in character and should not be lumped together.

Processing of imported materials generally uses domestic equipment and manpower to process foreign raw and semiprocessed materials without gaining ownership of the material to be processed, merely use rights. The finished

product is also the property of the foreign business establishment, while the processing unit only receives labor charges, and the foreign trade department only receives an export handling fee. It is prescribed for the foreign trade statistics of the SEZs: "For the 'amounts of money' of commodities processed from imported materials, only the labor charges are entered; for the 'amounts of imported commodities' only the manufactured value portion is to be entered." However, the industrial statistics reporting system stipulates: "For products for which a foreign business enterprise had imported materials for processing, regardless whether all or only part of the material was brought in by the customer, the gross value of industrial output, from the input of the raw or semiprocessed material to the finished product, when given a new material shape and a new use value, is to be computed in all cases according to the total value of the finished product." "Products for which materials had been brought in for assembly, regardless whether all or only part of the components were provided by the customer, shall all be considered part of the manufacturing operation, and only their processing charges (including the value of raw or semiprocessed materials and parts provided by the assembler) shall be included in the computation." Obviously, there is a contradiction between the regulations of the two departments. The import-export statistics of the SEZs disregard whether the material form of the raw or semiprocessed materials has been changed in the course of processing operations; as long as products are involved that have been processed with materials brought in by the foreign enterprise, it will only count the labor charges. However, the industrial departments will decide whether to take the total value of the product or only count the labor charges involved when computing the gross output value, depending upon whether the material form has been changed and new use value created. There are two different situations here, conformity between the part where gross output value is computed according to processing charge, and the way the foreign trade departments compute according to labor charges. However, the part where gross output value is computed according to full value does not conform with the foreign trade department method of computing. Viewed from the angle of the overall balance of the national economy, the balance between the production, distribution and use of the gross social output value should be as follows:

$$\text{Gross social output value} + \text{imports} = \text{converted value} + \text{final use of national income} - \text{exports}$$

If we calculate according to the current statistical system, there will be no way to sustain this balanced relation, but the left side will inevitably be larger than the right side, because the gross output value computed on the basis of the total value of all imported materials and processing will be greater than the gross export value computed on the basis of only the labor charges. For example, if there is a product manufactured by processing imported materials whose gross output value on the basis of constant value rates is 200 million yuan, for which according to contract 40 million yuan of processing fees have to be paid, then there is a difference of 160 million in gross social output value, which actually has become an insubstantial figure without material guarantee. Obviously, the more the processing of imported materials flourishes, the larger this insubstantial figure will grow. To avoid this situation, one must establish uniformity between computation of gross value of industrial output of imported materials processing and

computation of the gross export value of the processed imported material. We believe that it is much more reasonable to compute import-export amounts according to a uniform method of computing gross value of industrial output. Products assembled with parts belonging to the foreign business enterprise, when exported, should be statistically recorded at the factory price; the imported raw and semiprocessed materials should be statistically recorded at the prices of the ports of entry. Products assembled with parts imported by and belonging to a foreign enterprise must at the time of export be recorded statistically according to the processing charge. Exports of products processed with imported materials must be reported by the industrial enterprise and statistically registered by the Foreign Trade Corporation Head Office.

Compensation trade is a very important trade form in the SEZs that differs from traditional trade and from processing imported materials. It is built on the foundation of credit. It does not require any cash remittances to buy and import equipment or production technologies. After a new enterprise goes into production, the products that will be manufactured by it will be used to "compensate" the outlay for equipment and production technologies. The special characteristics of compensation trade thus are: purchase and sales transactions always occur simultaneously; whenever there is a sale, there is also a purchase, according to the stipulations of the contract or agreement. Exports and imports in the compensation trade are therefore not isolated one from the other, but whenever there is an export, there has to be an import, and import and export values are reciprocal. Furthermore, the link between imports and exports in this trade form is not established in a one-time operation but is ongoing for a number of years. Consequently the price of the imported equipment is not paid off with a one-time export of commodities, but is "compensated" with products (direct products) manufactured by the imported equipment or in the form of a buy-back, in installments and in lots, using the indirect products as negotiated between the two parties. The two above-stated characteristics determine a third import-export characteristic of compensation trade, namely that within the first year of business in every compensation trade import-export business, it always happens that the amount of imports is larger than the amount of exports, thus creating a negative trade balance that is expressed as a debt. In international balance of payments statistics it is balanced out as an item in the capital account.

In view of the above-stated characteristics of compensation trade, it is necessary, when arranging import-export statistics for compensation trade, to deal with it in two ways at the same time, namely as a method of importing and exporting and also as a credit and debt phenomenon; only thus will it be possible to render its indices into a complete set and form them into a system.

When the equipment arrives, it must, on the one hand, be assessed at the price the parties had agreed upon in their purchase contract and must statistically be treated as "imported equipment." On the other hand, statistics must also show it as "price owed for compensation trade equipment," so as to be reflected in the international capital account.

When the price for the imported equipment is "compensated" with the exports of products manufactured with the imported equipment or with indirect products, it is necessary, on the one hand, to open an item "equipment compensation value" in the statistics based on the price agreed upon in the contract between the two parties, recording always when and as much as is exported. On the other hand, it is necessary to open an item "paid for imported equipment" in the statistics, to offset the item "price owed for compensation trade equipment" in the international capital account.

For instance, if a certain enterprise imported equipment to the value of \$100 million in 1982 within a compensation trade arrangement, to be repaid with the direct products manufactured with the imported equipment within 5 years, according to the contract, and if payment in the amount of \$20 million was made with direct products in the latter half of 1982, the relevant statistics should appear as shown below in Table 8.

Compensation trade is one of the important items in the statistics on the international capital account. In the wake of the further development of the open door policy, compensation trade will become increasingly prevalent. If enterprises do not additionally establish a "compensation trade current account" to reflect credits and debts, it will be very difficult to obtain these data when compiling a balance sheet for international payments, because the inflow and outflow of goods in the compensation trade constitute a kind of barter of materials. No use is made here of cash remittances, so there is no need to employ the Bank of China as intermediary. Nor is there need to enter the realm of circulation, as all that is needed is the creation of a relationship of material trust by the supply and importation of the equipment. It is therefore only the enterprises that can supply statistical data on compensation trade imports and exports and on the credit and debit statistics of the international capital movements. In planning the basic indices for enterprise compensation trade, we must add a "compensation trade international capital movement" statistical report, additionally establish such statistical indices as "compensation trade payments due" and "compensation trade payments made," and "payments due," to set up a complete system of compensation trade indices.

Table 8: Import-Export Statistics for Industrial Enterprises Engaged in Compensation Trade, 1982
(unit: \$10,000)

	Imports	Exports
Compensation Trade		
Importation of Equipment	10,000	--
Compensated Value of Equipment	--	2,000
Total	10,000	2,000

Table 9: Statistics for International Capital Movement of Industrial Enterprises Engaged in Compensation Trade, 1982 (unit: \$10,000)

	Balance, start of year	Income	Expenditures	Balance, end of year
Compensation trade payments due		10,000		
Compensation trade payments made			2,000	8,000
Totals		10,000	2,000	8,000

For import-export statistics for foreign-owned enterprises, joint venture enterprises and cooperative management enterprises, it is prescribed in the regulations for industrial statistical reporting that: All industrial enterprises, whether Chinese-foreign joint ventures or operated by overseas Chinese industrialists or merchants, or financed with foreign capital, must keep statistics according to the principle of the lex loci for the volume of production, gross output value and net output value. Statistical recording of these enterprises' import-export commodities must also be carried out according to the principle of the lex loci, namely, so much when and as much is imported, and so much when and as much is exported. Imported raw and semiprocessed materials and equipment must be computed according to their price at the port of importation. In the statistical records for international balance of payments, the value of what comes under imported raw and semifinished materials and equipment must be reflected in the receipt side of the accounts heading "Foreign or Hong Kong or Macao Investments in China" under the item capital movements. Profits earned on foreign Hong Kong or Macao investments in China must be reflected in the expenditure column in the investment income and expenditure account. Dealing in this way truly reflects realities. As to the amounts of products obtained by foreign, Hong Kong or Macao investments in China, as much as are allotted shall be computed as so much exports, while for product value it is the profits earned from foreign merchants' investments.

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NATIONAL POLICY AND ISSUES

BRIEFS

PATENT APPLICATIONS RECEIVED--Beijing, November 25 (XINHUA)--Chinese authorities expect to receive more than 14,000 patent applications from China and abroad by the end of this year, a senior patenting official said here today. Already, 12,515 applications have been made since the patent law went into effect on April 1, An Yutao, deputy director of the country's patent office, told a national meeting on technological development. Of the applications received, 4,282 are from abroad. An said this showed that foreigners were placing trust in the new law. The first patents will be announced on December 26, and patent certificates issued two days later. From January, the office will publish several hundred patent applications each month, and from next July, it expects to be publishing more than 1,000 a month. [Text] [Beijing XINHUA in English 1831 GMT 25 Nov 85 OW] 12624

SURVEY OF COASTAL ZONES COMPLETED--Beijing, November 25 (XINHUA)--Chinese scientists have completed a general field survey of the coastal zones. Topics covered by the survey included aquatic life and natural resources, according to Yan Hongmo, director of the State Oceanography Bureau. The survey, begun in 1980, collected information that will be used to plan the development of China's 350,000 square kilometers of coastal zones and tidal flats. The survey team established 42 experimental stations along the coastline to study alkaline land, aquaculture, salt-resistant plants, coastal forestry, fruit growing, and coastal protection schemes. Salt-tolerant crops, such as asparagus, Chinese wolfberry and milk vetch have been trail planted on 4,000 square kilometers of coastal flats in Jiangsu Province. In Zhejiang Province, experiments are being done to combine the raising of shellfish and other aquatic animals with the cultivation of aquatic plants. The coastal areas in the province are expected to become a major production center for shrimp, lever, clams and kelp. The coastal areas are now the focus of foreign investment and national economic construction, Yan Hongmo said. [Text] [Beijing XINHUA in English 1039 GMT 25 Nov 85 OW] 12624

RETAIL SALES GROWTH SLOWED--Beijing, November 25 (XINHUA)--The growth rate of retail sales in China continued to slow in October, according to today's ECONOMIC DAILY. The paper attributes this to measures taken to control spending and relieve excess market pressure slowed. [sentence as received] In September, the rate fell to 18.1 percent and in October, to 15.3 percent, compared with 29.5 percent in the first half of the year. Retail prices

nationwide rose an average of 7.7 percent in the first nine months of the year. But in big cities with more than a million inhabitants, the climb was over 11 percent. The bureau estimates that total annual retail sales in the country will reach 430 billion yuan by the end of 1985, double the figure for 1980. Consumer durables are still in big demand, according to earlier news reports. Refrigerators were the big winners last month with sales going up 150 percent over October of 1984, the paper said. [Text] [Beijing XINHUA in English 0823 GMT 25 Nov 85 OW] 12624

CONFERENCE ON EMPLOYMENT--Recently, scientific and technical cadres at the bureau chief and section chief levels of Henan, Hebei, Shandong, Shanxi, and three other provinces gathered in Yantai for a meeting on reform of the appraisal of technical titles and institution of the system of open employment of personnel for specialized and technical posts. The meeting discussed the titles, grades, and parental departments of a series of 21 specialized and technical posts which had already been decided on. It called for wide application of the system of open employment of personnel for specialized and technical posts, which should be directly linked with wages. It stressed records of formal schooling, and the method of appraising the technical titles of those who become qualified through independent study. The meeting also emphasized that this work should be completed by the end of June 1986, and that effective July 1986, personnel should get their wages on the basis of their posts and technical titles. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 28 Nov 85] /9599

CSO: 4006/368

PROVINCIAL AFFAIRS

FUJIAN GOVERNOR SPEAKS TO PRESS ON ECONOMIC PLAN

OW290306 Beijing XINHUA in English 0242 GMT 29 Nov 85

[Text] Xiamen, 29 Nov (XINHUA)--Fulfillment of Fujian province's major economic targets for the sixth five-year plan period (81-85) is now a foregone conclusion, according to governor Hu Ping.

Speaking to reporters covering a current meeting here to promote Fujian's foreign economic relations, Hu Ping attributed this in part to China's open policy.

The province has achieved an 11 percent annual growth in industrial and agricultural output since 1981, reaching 22.5 billion yuan this year--9.4 billion yuan more than in 1980.

The provincial capital of Fuzhou is one of the 14 coastal cities that were opened to foreign trade and investment last year. Xiamen is one of China's four special economic zones, where even more flexible policies are being followed for the same purpose.

Hu said: "Spurred on by the open policy, Fujian has so far established trade ties with 120 countries and regions."

Meanwhile, 800 enterprises involving foreign investment had been launched, he added.

"Fujian is developing natural resources, particularly forests and minerals, and building infrastructure in a bid to improve conditions for foreign investors," the governor said.

For example, hydroelectric power stations with a total generating capacity of two million kilowatts were being built.

He said priority would now be given to upgrading existing enterprises, expanding farming, and developing mineral resources, energy, transport and tourism.

Fujian offered a vast market for foreign firms, because its 10,000 factories and mines all needed to import technology and equipment for modernization.

A portion of the products produced by joint ventures would be able to market in China, as long as their technology was advanced and their products were in short supply, he said.

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CSO: 4020/115

PROVINCIAL AFFAIRS

XINJIANG REPORTS GOOD DEVELOPMENT OF TOWNSHIP ENTERPRISES

. HK031123 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 2 Dec 85

[Text] Town and township enterprises have been developing vigorously in the region this year. According to statistics, town and township enterprises in the region have established various types of cooperation with 22 provinces, municipalities, and autonomous regions, and have held business talks with them on more than 3,000 projects. Among these, 500 have been completed and put into operation. By end of September, the output value of the town and township enterprises in the region reached some 600 million yuan, more than their total income last year. The output value is expected to reach some 830 million yuan by the end of this year, an increase of 32 percent over last year.

This year, leaders in all areas in the region have treated developing town and township enterprises as an important task in invigorating the rural economy and guiding peasants to get rich. They have firmly grasped this task. More than 2,000 people have been dispatched by all areas to other provinces and autonomous regions to learn from their experience. Changji Autonomous Prefecture has dispatched 100 youths to Shijiazhuang and Yantai to receive training so as to strengthen and improve technological personnel in town and township enterprises.

This year, peasants and herdsmen in the region have raised some 50 million yuan to develop enterprises, accounting for one-third of the total investment in enterprises for this year. More than 20,000 jointly-run enterprises and individually-run enterprises have been newly established.

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CSO: 4006/369

PROVINCIAL AFFAIRS

SICHUAN GOVERNOR SPEAKS ON FOCAL POINTS IN ECONOMIC WORK

HK031137 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 2 Dec 85

[Text] According to (XINXI BAO), on the afternoon of 30 November at the provincial government work conference to draw up the Seventh 5-Year Plan, Governor Jiang Minkuan delivered an important speech on drawing up the plan and the focal points in economic work during the Seventh 5-Year Plan period.

Governor Jiang pointed out: During the Seventh 5-Year Plan period, the focal points of Sichuan's economic work are: First, we should continue to grasp well agricultural production, particularly grain production. For this reason, we must develop every additional mu of farmland in addition to the 100 million mu of farmland. We must lead peasants to greatly develop town and township enterprises which emphasize agriculture, forestry, animal husbandry, sideline production, and fishery. We must also lead them to develop the tertiary industry so as to help them promptly attain prosperity.

He pointed out: There should be focal points and procedures when developing industrial production. We must strengthen the development of basic industries so as to ensure our reserve force. Under the prerequisite of protecting the key construction projects, we should greatly develop medium and small enterprises. We must expedite the development of bases for the production of raw materials, and constantly promote the five markets of production, consumption, labor, finance, and technology. Then we will be able to plan the province's economic development.

In connection with the current situation overly large scale of Sichuan's capital construction projects, Governor Jiang stressed: We must resolutely reduce the scale of capital construction and concentrate our efforts on this problem.

On the urban structural reform, Governor Jiang called for speeding up the pace of expanding key cities and replacing towns by cities, so as to promptly develop the economy.

In conclusion, Governor Jiang gave an important instruction on developing the province's education. He said: If we do not grasp the task of education well, the province's economic development will be out of the question. During the Seventh 5-Year Plan period, we must increase the funds for education and adopt various practical measures to strive to popularize the idea of 9-year universal education within 15 years.

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PROVINCIAL AFFAIRS

HEBEI HOLDS PROVINCIAL URBAN WORK CONFERENCE

SK040236 Shijiazhuang Hebei Provincial Service in Mandarin 2300 GMT 23 Nov 85

[Excerpts] The provincial People's Government held an urban work conference in Shijiazhuang City from 19 to 23 November. In line with the decision made by the CPC Central Committee with regard to conducting reforms in economic systems, and by regarding as a guide the central authorities' proposal for the Seventh 5-Year Plan, which was adopted at the National Conference of Party Delegates, the conference emphatically discussed several issues with regard to building and developing a multifunction city network at various levels throughout the province and defined the current task and target for conducting reforms in urban economic systems. The conference had a vital bearing on discovering a way to develop new Chinese socialist cities in the province, accelerating the pace in building the two civilizations in urban areas, and making the economy prosperous in both urban and rural areas.

Attending the conference were mayors and chairmen of the economic commissions from the nine provincial-level cities and the three prefectural-level cities, directors of the offices in charge of systematic reforms from the nine provincial-level cities, and responsible comrades from the provincial-level departments concerned.

At the conference, reports were made introducing the experiences gained by the cities of Shijiazhuang, Handan, and Tangshan in continuously discovering a way to conduct comprehensive reforms in the economy of collision and rebound type [zhuang ji fan she shi] and to bring into play the superiority of urban functions and city jurisdiction over counties.

Attending the conference were leading comrades of the provincial CPC Committee and the provincial People's Government, including Zhang Shuguang, Gao Zhanxiang, Li Feng, and Ye Liansong.

At the conference, Gao Zhanxiang, deputy secretary of the provincial CPC Committee, delivered a speech on the issue of having urban areas take the lead, set examples, and fully play a guiding role in building spiritual civilization.

In concluding the conference, Zhang Shuguang, governor of the province, delivered a summing-up report.

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PROVINCIAL AFFAIRS

SHANXI'S LI LIGONG SPEAKS AT MODERNIZATION SUPPORT MEETING

HK030347 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 2 Dec 85

[Excerpts] A provincial meeting of figures of all circles to exchange experiences in serving the four modernizations drive opened in Taiyuan on 2 December. The participants include senior technical and management personnel from industry, agriculture, and finance and trade, experts and scholars in culture, education, public health, and science and technology, and members of democratic parties and non-party figures.

Shanxi Provincial CPC Committee Secretary Li Ligong made a speech. He said: Since the 3d Plenary Session of the 11th Central Committee, in common with the whole country, Shanxi has smoothly carried out the shift of work focus under the correct leadership of the CPC Central Committee, and all its work has gradually embarked on the correct track. I hope you comrades will display the spirit of being masters of the house and contribute your ideas to drawing up the province's seventh 5-year plan and to invigorating the province's economy.

Also present at the opening ceremony were leading comrades of the party, government, and army in the province including Wang Kewen, Wang Senhao, Ma Guishu, Zhu Weihua, and Wang Xiujin.

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PROVINCIAL AFFAIRS

SICHUAN TOWNSHIP ENTERPRISES DEVELOP RAPIDLY

HK030903 Chengdu Sichuan Provincial Service in Mandarin 2300 GMT 29 Nov 85

[Text] Town and township enterprises have developed rapidly in the province. The province has fulfilled the target set in the Sixth 5-Year Plan for the development of town and township enterprises two years ahead of schedule. The total output value of town and township enterprises in the province for 1985 is expected to reach some 13 billion yuan, an increase of 200 percent over 1980 and equivalent to 300 percent of the province's industrial and agricultural output value in early post-liberation years. Town and township enterprises have now become an important part of the province's economy.

The development of town and township enterprises has achieved remarkable economic results and social effects.

1. Town and township enterprises have provided industries processing agricultural and sideline products and various services to rural areas. They have expanded basic agricultural construction thus making favorable conditions for developing industry to complement agriculture. During the five years of the Sixth 5-Year Plan, town and township enterprises in the province spent some 330 million yuan on aiding agriculture. They produced 37,000 tons of chemical fertilizer and 138 million pieces of medium and small sized farm implements, thus becoming one of the mainstays in agricultural production.
2. Town and township enterprises processed 88.5 billion jin of grain, 1.19 million tons of edible oil, and more than 1.8 million dan of tea. In addition, they produced 980,000 tons of wine. They have thus changed the situation of unitary grain production in rural areas.
3. During the five years of the Sixth 5-Year Plan, enterprises at town and township levels increased the annual per capita income of the province's rural population to 332 yuan and provided jobs for 2.32 million rural people who were relatively rich.
4. Town and township enterprises have opened up a new channel for the state's revenue. During the five years, they submitted a total of 1.038

billion yuan of profit and tax to the state, about 40 times the amount of the money given to them by the state during the same period.

After readjustment and consolidation in a planned way during the Sixth 5-Year Plan, town and township enterprises are now developing more healthily. Their production structure has become more rational. The output value of the four major industries, namely, the processing of farm and sideline products; the energy and mineral; the building material industry (all of which make full use of local natural resources); and the building industry with the export of labor forces as its major part, accounts for 70 percent of the total output value of town and township enterprises. Town and township enterprises are now playing an increasingly important role in the economic and social development of the province. For example, during the Sixth 5-Year Plan, they produced 89.7 million tons of raw coal and generated 5 billion kilowatt-hours of electricity, improving the shortage of energy on the market. All localities have used the income of town and township enterprises to develop scientific and technological knowledge among peasants.

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PROVINCIAL AFFAIRS

GUANGDONG'S LIN RUO AT MEETING ON WORK CONCERNING MOUNTAINOUS AREAS

HK030842 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT
29 Nov 85

[Text] The 7-day provincial meeting on work concerning mountainous areas concluded yesterday at Shaoguan. Principal responsible comrades of the provincial CPC Committee and government, such as Lin Ruo, Ye Xuanping, Guo Rongchang, and Lin Botang, attended the meeting which was presided over by Comrade Lin Ruo. Governor Ye Xuanping made the summary speech.

Ye Xuanping urged cadres at various levels as well as the masses throughout the province to make contributions in a down-to-earth manner for building and invigorating the mountainous areas.

In connection with the various outstanding examples of attaining prosperity by living off the mountains, Governor Ye Xuanping summed up the experiences into five points:

First, the development of the economy in the mountainous areas mainly depends on our own efforts.

Second, the practice of attaining prosperity by living off the mountains must focus on forestry and the principle of integrating long-term contracts with short-term ones, growing trees and fruits, and diversifying operations.

Third, in order to invigorate the mountainous areas, we must depend on policies and science.

Fourth, we must greatly develop commodity production in the mountainous areas. We must ideologically and practically emerge from the natural economy.

Fifth, we must greatly develop the practice of importing from outside and linking up with the rest of the country. We must make the policy of opening to promote our development so as to expedite the building of the mountainous areas.

In addition to relying on the efforts of cadres in the mountainous areas, the work of expediting the areas' economic development also needs support from various sectors. Governor Ye urged all provincial departments concerned to implement practical work and further adopt policies and measures for supporting the building of the mountainous areas. Generally speaking, these policies and measures are: first, to increase the level of investment in the mountainous areas; second, to continue to open the timber market and check the practice of hiking prices, so as to ease the economic burden of people living in the areas; third, to encourage people developing the natural deposits in the mountainous areas, particularly the water and mineral resources; and fourth, to help the mountainous areas cultivate and import qualified personnel.

Comrade Lin Ruo also made a speech at the closing session. He stressed carrying forward the spirit of self-reliance and struggling hard when building the mountainous areas. When attaining prosperity by living off the mountains, the leadership must carry out in-depth investigation and give guidance to specific work. He also talked about other issues.

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PROVINCIAL AFFAIRS

GUANGDONG SYMPOSIUM ON PERSONAL RESPONSIBILITY SYSTEM

HK030825 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT
29 Nov 85

[Text] The symposium on the implementation of the system of personal responsibility in all party and government organs throughout the province, which had lasted four days, concluded in Guangzhou today. The symposium demanded that party and government organs at all levels throughout the province must implement universally the system of personal responsibility in the first half of next year. The implementation of the system of personal responsibility in the party and government organs is a great reform in the improvement of the work style of the organs. Since some party and government organs in our province implemented the system of personal responsibility in 1981, certain achievements have been made and an active part has been played in overcoming bureaucratism, promoting work efficiency, strengthening the sense of organization, and improving the quality of party and government cadres.

At this symposium, on the basis of summing up previous experiences, the problems of how to do better in implementing the system of personal responsibility in the organs were discussed. The symposium maintained that to overcome malpractices existing in the system of the employment of people; to simplify overlapping organs; to change the irrational phenomena of being overstaffed, upgrading organs, and being more officers than soldiers; it is necessary to establish a complete system of personal responsibility so that in the work of the organs, the duties incumbent on each organ and cadre can be defined. Rewards and punishments can also be properly given, and management can be carried out in a scientific way.

The symposium demanded that party and government organs at all levels grasp the implementation of the system of personal responsibility as an important link in the ideological and organizational building of the party and government organs. The party and government organs which have not established the system of personal responsibility must hasten setting it up and those which have established it must put it on a sounder basis, perfect and seriously implement it. In future, work personnel

in the party and government organs must be completely assessed in the four aspects of morality, ability, diligence, and discipline. It is necessary to implement the system of regularly assessing diligence. Those who are not qualified must be readjusted. Those who are incompetent or seriously neglect their duties must be dismissed or demoted.

Zheng Guoxiong, provincial CPC Committee standing committee member and Organization Department Director, and Vice Governor Yang Li attended today's symposium and made speeches.

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PROVINCIAL AFFAIRS

GUANGDONG CIRCULAR ON TRACTOR LICENSE FEES

HK291448 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 27
Nov 85

[Text] The General Office of the Provincial People's Government recently issued a circular on the readjustment of license fees for a tractor which does both transport and farming work. It has been decided that the original 27 categories of fees be reduced to 14. In the future, the license fee of a large or medium-sized tractor purchased will be 21 percent less than the original fee and of a hand-guided tractor 38 percent less.

The circular says: Over recent years, the license fees for a tractor in our province which does both transport and farming work were relatively chaotic. The phenomenon that a tractor needs many licenses, fees must be paid repeatedly, and fees are excessively high, has appeared. Not only the economic burdens of the masses have been made heavier but also the management work made difficult.

The circular provides that in the future, the public security departments will be responsible in a unified way for the management of tractors, which do both transport and farming work in eight cities, including Guangzhou, Shenzhen, Zuhai, Haikou, Zhanjiang, Zhaoqing, Jiangmen, and Foshan, and their suburbs. A tractor needs only one license and its fee will be collected in accordance with its licensed purpose and tariff. Except for the eight cities, the driver of a tractor which does both transport and farming work must be trained and a driving license must be issued to him. The agricultural machinery department must be responsible for the change of a driver's registered permanent residence. The transport department must be responsible in a unified way for the license of use, the numbered plate, and the transfer of a tractor. However, fees must be collected in accordance with the tariff. The transport and agricultural machinery departments must be jointly responsible for testing a driver, annual examination of a driver, and annual inspection of the tractor. Fees must be collected in accordance with the tariff.

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PROVINCIAL AFFAIRS

JIANGSU'S HAN PEIXIN ADDRESSES MEETING ON PRICING

OW011301 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 29 Nov 85

[Excerpts] According to XINHUA RIBAO, the Provincial Party Committee and the Provincial Government held a telephone meeting, urging party committees and governments at all levels to pay close attention to market supply and price supervision and strive to maintain stable commodity prices in the market.

Comrades Han Peixin, Shen Daren, Chan Huanyou, and Hu Fuming were present at the meeting. Attending the meeting were responsible comrades of provincial-level economic departments, principal leading comrades of all city and county party committees and governments, and responsible persons of departments in charge of market price supervision.

Comrade Chen Huanyou, member of the Standing Committee of the Provincial Party Committee and vice governor, spoke at the meeting. In the light of the guidelines of recent discussions by the Provincial Party Committee and the Provincial Government, he called on governments at all levels to take effective measures to stabilize market commodity prices.

In closing the meeting, Comrade Han Peixin, secretary of the Provincial Party Committee, stressed the following three points: First, party committees and governments at all levels should pay keen attention to market price. Principal leading comrades at various levels should concentrate their efforts at visiting bases for producing vegetables and aquatic products, as well as markets and stores, to conduct investigation and study in order to solve problems on the spot and ensure plenty market supply during the New Year and Spring Festival period. It is also necessary to make long-range plans and solid efforts to bring about a marked change in the situation. Second, it is necessary to bring into full play the principal role of state stores in commodity supply in curbing market prices and maintaining basically stable market prices this winter and next spring. Third, all trades, professions, and quarters should support the market work in joint efforts to basically stabilize market prices and consolidate and develop the current excellent situation with one heart and one mind.

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PROVINCIAL AFFAIRS

HEILONGJIANG REPORTS BALANCED LIGHT, HEAVY INDUSTRIAL DEVELOPMENT

SK281223 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT
26 Nov 85

[Text] During the Sixth 5-Year Plan period, our province has initially shifted the situation in which light industry occupied too small and heavy industry too large a proportion. This year the output value of light industry in the total industrial output value will increase from 30.2 percent in 1980 to 34.5 percent, and that of heavy industry will decline from 69 to 65 percent. During the same period, our province has readjusted the development of light and heavy industries, increasing the production of consumer goods. The output of television sets, recorders, household refrigerators, household washing machines, and wool and chemical fabrics doubled and redoubled. The production of such products as sugar, paper, dairy products, wine, and woolen and flax cloth, resources for which are abundant in the province, and which have local characteristics, increased rapidly. The output value of sugar, dairy products, wine, and chemical fabrics doubled in the past four years. Our province has also readjusted the structure of heavy industrial production, slowing down its growth rate to a proper extent. In industry, production of raw materials has been strengthened to enable the building and mining industries to continuously maintain a fairly high growth rate.

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PROVINCIAL AFFAIRS

NEI MONGGOL TELEPHONE CONFERENCE ON ECONOMIC WORK HELD

SK010729 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT
30 Nov 85

[Excerpt] On the evening of 28 November, the regional CPC Committee and government held a telephone conference on the region's economic work, calling on the various localities to further study and implement the guidelines of the National Conference of Party Delegates, to specifically implement the work plan for this winter and next spring, which was formulated at the enlarged Standing Committee meeting of the regional CPC Committee, and to prepare for next year's production in a down-to-earth manner.

The conference was presided over by Ma Zhenduo, Standing Committee member of the regional CPC Committee and vice chairman of the regional government. Zhou Hui, secretary of the regional CPC Committee, spoke at the telephone conference.

Qian Fenyong, deputy secretary of the regional CPC Committee, delivered a speech on the region's current economic situation and on ways to grasp well the economic work of this winter and next spring. He said: Since the 3d Plenary Session of the 11th CPC Central Committee, as in other places in China, our region's economic situation has improved year after year. A new situation characterized by sustained, steady, and coordinated development has emerged.

Comrade Qian Fenyong said: The general fighting objective of the industrial, communications, financial, and trade fronts for next year should be:

1. The total industrial output value should exceed the target of 10 billion yuan. The growth of profits, taxes, and financial revenue should keep pace with that of the output value.
2. All industrial enterprises covered by the budget, except for coal enterprises and mines, should strive to end operational deficits next year.
3. About 75 percent of the annual technical transformation plan should be fulfilled.

4. The quality improvement rate of major industrial products and the rate of reducing the consumption of raw materials, fuel, and energy should reach more than 75 percent and 70 percent, respectively.

5. The purchase and sales of state commercial units should increase by 8 to 10 percent, and profits and taxes should increase by more than 5 percent. Purchases and sales of commodities through the supply and marketing cooperatives should increase 4 to 5 percent, and profits and taxes should increase 5 percent or more.

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PROVINCIAL AFFAIRS

BRIEFS

YUNNAN COMMERCIAL WORK--Along with the development of industrial and agricultural production and the indepth development of the reform of the circulation system in commercial field, the province's commercial work developed rapidly during the Sixth 5-Year Plan. The total purchase amount of agricultural and sideline products for the province for 1984 increased by 130 percent over 1980. The province has overfulfilled the targets set in the Sixth 5-Year Plan for the purchase amount of main agricultural and sideline products, such as grain, flue-cured tobacco, and tea. The total retail amount of social commodities of the province for this year is expected to reach some 9.4 billion yuan, an increase of 120 percent over 1982. [Excerpt] [Kunming Yunnan Provincial Service in Mandarin 1100 GMT 27 Nov 85] /9738

HAINAN INSPECTION LEADERSHIP GROUP--Our region recently set up a credit inspection leadership group with Chen Yinghao, responsible person of the regional government, as the group head, and has completely implemented credit inspection work. Credit inspection is divided into self-inspection, reinspection, and sample inspection of the key points. Stress is laid on the inspection of the situation in enforcing the State Council's regulations on control over the scale of credit, on organization of currency withdrawal from circulation, and on control over foreign exchange and the situation in implementing the State Council's decision on temporarily suspending credit loans and credit investment. Moreover, it is necessary to inspect the situation of violating the principle of loans, and in indiscriminately issuing loans. It is also necessary to investigate the unlawful practice of taking advantage of issuing [word indistinct] to seek private end [word indistinct] and receiving bribes, extorting money, and committing graft and theft. [Text] [Haikou Hainan Island Service in Mandarin 0400 GMT 26 Nov 85] /9738

ANHUI GOVERNOR MEETS INVENTOR--At the governor's residence yesterday noon, Governor Wang Yuzhao cordially received Zhou Dejing, a worker at the Chinese Science and Technology University who had just returned from Britain. The governor inquired about the highly efficient centering machine invented by Zhou Dejing which was exhibited in Britain. He said: Little Zhou, you have won honor for our country and for Anhui Province. We are very grateful. After the meeting, Governor Wang Yuzhao gladly posed for pictures with Zhou Dejing. [Excerpt] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 29 Nov 85] /9738

CSO: 4006/369

ECONOMIC PLANNING

LU DONG ON NEED FOR MORE TECHNOLOGY IMPORTS

OW241751 Beijing XINHUA in English 1649 GMT 24 Nov 85

[Text] Beijing, 24 November (XINHUA)--China will import more technology and equipment during the Seventh Five-Year Plan (1986-1990) for its technical progress, and the state economic commission is working out a plan for importing 3,000 items from abroad.

This was announced by Lu Dong, minister in charge of the State Economic Commission, at a national meeting on technical progress which opened here today.

China had a plan of importing 3,000 items of technology and equipment for the last three years (1983 to 1985) of the Sixth Five-Year Plan. In the first half of this year, agreements concerning all these items had been concluded.

In accordance with China's need for technical progress, priority will be given to large and medium-sized enterprises in importation of advanced technology from abroad, Lu told the meeting.

The focus of the importation will be on software technology, key equipment, and technique for producing goods that are in critical shortage.

China is also interested in importing technology that can help with regeneration of products of machine-building, electronic, textile and light industries, and technology concerning quality control, standard measurement and testing, Lu said.

Besides using the state- and locally-owned foreign exchange, loans from the international financial institutions and commercial banks, and the form of joint venture can also be employed for the importation program, Lu added.

The focus of the technical transformation during the Seventh Five-Year Plan will be also set on large and medium-sized and key enterprises, and a plan for 1,000 such enterprises is being worked out, Lu said.

At the same time, the state will continue to promote the technical transformation of the small enterprises and rural businesses, he said.

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ECONOMIC PLANNING

PRC SEEKS TO MASTER IMPORTED TECHNOLOGY

OW261354 Beijing Domestic Service in Mandarin 1200 GMT 25 Nov 85

/Text/ China regards absorbing and digesting imported technology as a major state project and has decided that 12 major imported technologies will be targets for digestion and mastering during the Seventh 5-Year Plan period. They involve color television, digital control machine tools, coal mining equipment, garment production, and commercialization of lean-meat hogs. This was announced by Zhu Rongji, vice chairman of the State Planning Commission, at the third national conference on technology improvement in enterprises.

Over the past several years, a considerable number of technology and equipment has been imported by various localities through various channels. However, absorption and digestion work has lagged behind. Funds spent on absorbing and digesting imported technology and equipment are disproportionate to the large sums spent on importing them.

Zhu Rongji said, absorbing and digesting imported technology and domestic production of imported equipment have become urgent tasks in developing China's national economy. From now on, the emphasis of technological development in enterprises will be shifted to absorbing and digesting imported technology and domestic production of imported equipment.

According to Zhu Rongji, when the project of absorbing and digesting the 12 imported technology is completed, the State Economic Commission plans mass production. The State Economic Commission has asked the various localities and departments to make efforts in absorbing and digesting imported technology according to local conditions.

Zhu Rongji stressed that in absorbing and digesting imported technology, we must pool the resources of various quarters. The scientific research units and the military industrial departments are relatively strong in talent, technology, and equipment. They should boldly participate in this project within the bounds of relevant state policies and plans in order to accelerate the process of domestic production of imported technology and equipment.

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CSO: 4006/339

ECONOMIC PLANNING

TECHNICAL TRANSFORMATION OF ENTERPRISES STRESSED

OW261311 Beijing XINHUA Domestic Service in Chinese 1151 GMT 25 Nov 85

/Article by reporters Huang Fengchu and Ge Daxing/

/Excerpts/ Beijing, 25 Nov (XINHUA)--These reporters have learned from the State Economic Commission that China will carry out technical transformation in thousands of large and medium-sized industrial enterprises throughout the nation step by step and in a systematic manner so as to lay the groundwork for raising the technical level of the national economy as a whole and provide powerful support for technical progress in smaller enterprises.

The fixed assets of large and medium-sized enterprises and the profits and taxes they turn in account for more than 65 percent of the total assets and the profits and taxes of all industrial enterprises throughout China. The current depreciation of fixed assets of these enterprises and of many enterprises which manufacture export products is 50 percent. Their products, equipment, and technology are seriously outdated. It has been learned that in order to concentrate efforts and successfully carry out technical transformation in these enterprises by stages and in groups, and make the most effective use of resources, China will implement a special policy that gives preferential treatment to key enterprises engaged in technical transformation, namely, by appropriately raising their depreciation rate, reducing their regulatory taxes or exempting them from these taxes, giving them priority in getting loans for technical transformation, allowing those that can handle foreign relations to directly deal with foreign firms, and supporting these enterprises in bringing in technology and management personnel.

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ECONOMIC PLANNING

GUIZHOU MEETING DISCUSSES 1986 ECONOMIC TASKS

HK290349 Guiyang Guizhou Provincial Service in Mandrain 2300 GMT 28 Nov 85

[Excerpts] A meeting of prefectural commissioners, autonomous prefectural governors, and mayors convened by the provincial government concluded on 28 November. In accordance with the spirit of the provincial CPC Committee's proposal on the seventh 5-year plan and the main points of work for 1986, the meeting made arrangements for economic work next year.

Governor Wang Chaowen presided and made a speech. Vice Governor Zhang Shukui put forward views on arranging economic work in 1986.

The meeting held that the province must get a good grasp of the following tasks next year:

1. Seriously study and implement the guiding idea and the series of principles and policies on the seventh 5-year plan proposed by the National Conference of Party Delegates, persistently put reform in the first place, and promote reform of the urban economic structure centered on invigorating the enterprises. It is necessary to take effective steps in all respects to strengthen agriculture and strive for a bumper harvest.
2. Further promote reforms of the urban economic structure. It is necessary to invigorate the enterprises, especially the large and medium state-owned enterprises. It is necessary to continue to implement the regulations of the central and provincial authorities on expanding enterprise decisionmaking powers. We must break down separation of vertical and horizontal components and develop horizontal economic ties spanning different areas, departments, and trades. We must take full advantages of the superior points and potentials of the defense industries and continue to switch the technology in these industries to civilian use. We must also carry out reforms in the circulation setup, and continue to do a good job in the reform of prices and wages.
3. Promote the second stage of rural reforms and do a good job in readjusting the production structure. We must seriously implement the principle of promoting diversification without the slightest slackening of grain production, and get a good grasp of grain production. In cultivating industrial crops, we must pay attention to taking advantage of our strong points in tobacco and rapeseed.

We must actively support the development of township enterprises, make rational plans, and strengthen controls over them. We must further adopt special policies and effective measures to help poor areas and minority-national [word indistinct] to develop their economy. Disaster areas should focus their efforts on relief through production.

4. Stimulate coordinated and steady growth of industrial output, with the focus on improving product quality and lowering raw material consumption.

5. Ensure rational and effective distribution and use of capital, and focus on key points in arranging capital construction.

6. Actively develop commodity circulation and economic and technological cooperation.

7. Vigorously popularize the fruits of science and technology and step up efforts to exploit brain-power.

8. The government departments at all levels must strengthen leadership over economic and all other work. The leading organs should gradually shift from management to service type and actively serve the grassroots and the masses.

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ECONOMIC PLANNING

PRC MINISTER DISCUSSES DEVELOPING IRON, STEEL INDUSTRY

HK230618 Beijing CHINA DAILY in English 23 Nov 85 p 1

[By staff reporter Chen Guanfeng]

[Text] China will stress the renovation, expansion and technological transformation of existing plants and mines in the development of its iron and steel industry during the Seventh Five-Year Plan period (1986-90), a major step in narrowing the widening gap of supply and demand in the domestic market, a senior government metallurgical official said yesterday.

When conditions are favourable, some new plants will also be set up during the period and afterwards, Qi Yuangjing, the 56-year-old minister of the Metallurgical Industry, told CHINA DAILY.

"Upgrading existing steel and iron works will be a State policy for years to come, though the possibility also exists that some new ones may be set up," the minister said in an interview.

According to the minister, who took office three months ago, the country's modernization drive is using much more iron and steel than is currently being produced, and a certain amount of steel has to be imported every year.

Since 1978, the country's iron and steel production has chalked up an annual increase of 7 percent. Due to limited production facilities, however, the country can turn out only about 46 million tons of raw steel a year at present, and can expect to substantially increase this by the end of the century, if all goes smoothly.

Prospects indicate the country's demand by that time will reach more than 100 million tons of raw steel.

Though China, with 1 billion people, has become the world's fourth largest steel producer, but its per capita production is only 46 kilogrammes of steel a year, as compared with the world average of about 150 kilogrammes, the minister said.

"This is bad, but there is also a good side, because it provides wide scope for co-operation with foreign countries," Qi said.

"Such a situation ensures that foreign businessmen will co-operate with us in steel and iron production since they need not worry about competition from China in the world steel market for a long time to come," he said.

Last year, China spent about \$3 billion to import steel and iron products from abroad and recently, it signed a contract to import 200,000 tons of rolled steel from Argentina.

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ECONOMIC PLANNING

XUE MUQIAO ON GUANGZHOU DEVELOPMENT STRATEGY

HK280345 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 27 Nov 85

["Special Dispatch from Beijing" by station correspondent (Chen Jietai) and reporter (Li Jiduan)]

[Text] The famous economist Xue Muqiao said yesterday at a Beijing symposium on Guangzhou's economic and social development strategy: Guangzhou's development guideline should be to rapidly build the city into the country's great southern gateway linked to the outside world and to the interior of China. It should face both the outside world and the interior.

Comrade Xue Muqiao said: Guangzhou is the motherland's great southern gateway. It is backed by the Zhujiang Delta and basin. It is also located in the subtropics and enjoys a warm climate. It is close to Hong Kong and Macao, and there are many overseas Chinese. Guangzhou City must take advantage of these strong points and vigorously develop agriculture and animal husbandry including fish, meat, fruit, and vegetables, transform its already obsolete light and textile industries, face Hong Kong, Macao and Southeast Asia, and thus promote exports to make foreign exchange; this capital should be used to import advanced foreign technology, and to speed up the development of new industries and foreign trade facilities. The city should also develop domestic commerce, communications, and telecommunications for serving foreign trade.

Xue Muqiao also put forward two views on current work to be done in coordination with Guangzhou's economic development guidelines:

1. It is necessary to link up with the outside world and the interior. Planning should not just be done for Guangzhou as a single city, nor for any of its counties in isolation. It is essential to promote horizontal cooperation. He proposed the establishment of the Zhujiang Delta economic zone centered on Guangzhou, so as to form still closer horizontal cooperation ties between Guangzhou, Foshan, and other cities and in the entire delta.

2. Guangzhou City's strategic planning should not only take account of horizontal cooperation ties in its neighborhood but also its own development measures. He said: Guangzhou is an open city whose industrial and agricultural growth rate is relatively fast. In the current situation of

controls on the scale of capital construction, on bank credits, and on consumer funds, it is essential to pay attention to growth rate and ensure the smooth progress of reform of the economic structure.

At the symposium, more than 10 persons from the Academy of Social Science, the departments of the State Council, and Beijing colleges and universities gave valuable views centered on Guangzhou's development goals and its functions as a city. Speechmaking continued at the symposium today.

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ECONOMIC PLANNING

STANDARDIZATION WORK IMPROVING PRODUCT QUALITY

OW251732 Beijing XINHUA in English 1617 GMT 25 Nov 85

[Text] Beijing, 25 November (XINHUA)--The setting of official standards for Chinese products has boosted their quality and competitiveness on world markets, a senior standardization official said here today.

By the end of this year, China will have set 7,500 national standards, of which more than 2,000 are equal to advanced world standards. This standardization work will be stepped up during the Seventh Five-Year Plan beginning next year, Hua Fanji, deputy director of the State Administration of Standards, told a national meeting on technological development.

He said the progress in standardization was also promoting the use of new technology and modern management techniques.

By the end of the decade, there should be 12,000 standards in China, and more than half of these would be equal to advanced world standards.

Hua said that by the end of this year, the number of national standards for agriculture, forestry, textiles and light industry would reach 1,000--5.4 times the 1980 figure.

There would be 1,950 involving machinery, instruments and transport--2.7 times the 1980 figure; 850 for electrical engineering, electronics, communications and broadcasting--5.1 times as much; and 2,630 for raw materials and fuel--3.1 times the figure. So far, most of the national standards promulgated before 1980 had been revised.

Now China had 200 national quality inspection offices, and 150 local quality testing offices had been set up or were under construction.

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CSO: 4020/105

ECONOMIC PLANNING

PREPARATIONS FOR PRC'S THREE GORGES PROJECTS CONTINUE

HK300144 Beijing ZHONGGUO XINWEN SHE in Chinese 0220 GMT 21 Nov 85

[Text] Wuhan, 21 Nov (ZHONGGUO XINWEN SHE)--"The primary purpose of constructing the key water control projects in the three gorges of the Chang Jiang is to control floods, while the secondary purpose is to generate electricity and develop the shipping industry," said an official of the Chang Jiang valley planning office, "and at present, preparations are being intensely made for the Chang Jiang three gorges projects."

The official said that not long ago, some people had some complaints about the Chang Jiang three gorges projects because they had some misunderstanding about the projects. He said that over the past 7 years, the relevant departments of the state have jointly carried out careful planning and designing as well as careful comprehensive analysis of the projects.

According to the records of Chinese history, in over 2,000 years between the Han Dynasty and the end of the Ching Dynasty, on average a big flood occurred every 10 years. Although there are thousands of li of dykes to protect the plains in the low and middle reaches of the Chang Jiang at present, more than 1 million people are needed to protect the dykes during the flood season every year. Dongtin hu, Poyang hu, and the Jiangnan plain are still under threat of flooding. These three densely populated areas are China's well-known commodity grain and cotton bases. When completed, the Chang Jiang three gorges projects will play a key role in controlling flooding in the low and middle reaches of the Chang Jiang. The total capacity of the power station's generator is 13 million kilowatts and the transmission radius of the power station in the three gorges of the Chang Jiang is 1,000 kilometers, reaching Beijing, Tianjin, and Tangshan in the north, Shanghai in the east, Guangzhou in the south, and Sichuan in the west, all of which will benefit from the Chang Jiang three gorges projects.

At present, the construction of the second phase of the Gezhouba projects has almost been completed. Installation of the first generator began last month and a large number of workers who do the control and fill work as well as the concrete pouring work have been transferred to the construction site in the three gorges of the Chang Jiang.

Commenting on "if the construction work in the three gorges of the Chang Jiang starts, the beautiful scenery of the three gorges will be destroyed," an idea which is presently spreading in the society, the official said that according to the designs, the construction of the hydroelectric power station will raise the water storage level in the three gorges of the Chang Jiang to a high of 150 meters and 93 percent of the dangerous shoals in the area will be submerged, but the natural scenery on the two shores will not be greatly changed. On the contrary, some new scenery will emerge. He added that the construction of the Chang Jiang three gorges projects will also effectively improve the channels in the Chuan Jiang and the middle reaches of the Chang Jiang. The transport capacity of the Chuan Jiang will increase by 10 times compared with its present transport capacity and the transport expenses will be significantly reduced.

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CSO: 4006/368

ECONOMIC PLANNING

START OF NEW DAM ON CHANG JIANG NEARS

Hong Kong JINGJI BAODAO [ECONOMIC REPORTER] in Chinese No 38-39, 1 Oct 85
pp 36-38

[Article by Zi Qian [1311 0286]: "Key Water Conservancy Project in the Three Gorges Area of the Chang Jiang"]

[Excerpts] In the world famous Three Gorges area of the Chang Jiang, a key water conservancy project is about to be launched on a grand scale. In April of last year, the State Council approved in principle the (report on the feasibility of key water conservancy in the Three Gorges area), and, by the end of the year had established a preparatory office for the Three Gorges Project Development Corp in Yichang, Hubei. Currently, there are over 1,000 Chinese construction workers that have set up camp at the Three Gorges dam site and started work on roads, electricity, water, and site leveling in preparation for construction. This "huge water project" will be even larger than the current world's largest, the Itaipu hydropower station having an installed capacity of 12.6 million kW, now under construction by Brazil and Paraguay.

Not long ago the author of this article went on a 10-day tour of the Three Gorges. These gorges are located between the Baidicheng historic site near Fengjie, Sichuan and the town of Nanjingguan near Yichang, Hubei. The major gorges consist of the three connecting gorges of Qutangxia, Wuxia, and Xilingxia. When our boat entered Kuimen we could see mountain peaks on both sides and banks as steep as cliffs rising from out of the ground, forcing the surging Chang Jiang into a narrow strip which winds through the deep gorge. An expert on the subject traveling with me said that the formation of the Three Gorges was a result of changes caused by intense orogenic movements and natural river development, and the true age of this formation is approximately 40 million years.

As our boat left from Kongtong and entered the Xiling Gorge we could see a small island for nearly 1,000 m--an island protruding in the middle with a length of 1,000 m and a width of about 200 m. On the river's rock bank sat a very active town, Sandouping. The author then knew that we had arrived at the Three Gorges dam site. The subject expert traveling with me opened up a sketch map of the Three Gorges project, the map showed that the dam would stretch across the island and have a total length of 1,924 m. The arrangement

has a structure allowing navigation around the dam built on the east bank and part of the bank used as a spillway dam. The dam's west bank will have two tall and spacious hydropower plants, there will be 26 stations in the two plants with each station equipped with 500,000 kW generating units for a total installed capacity of 13 million kW. The navigation structure will use two-stage locks, the size of the locks will be 280 m long, 34 ms wide, and have a depth of 5 ms. These locks will be equivalent in size to the locks built at the large Gezhou Dam at Nanjin Pass. The Three Gorges project will be carried out in stages with a total construction period lasting 17 years, that is to say, this difficult-to-construct "huge water project" will need nearly 20 years before it is completed.

The Three Gorges Dam will be second to none in the world, and to build it in a geographical area with such cliffs is based on its being a major project affecting future generations. Due to this, specialists in geology traveled across mountains and rivers conducting topographic surveys, dam-site mapping, and relevant exploratory experiments and research work. As of 1982, at the Sandouping dam site alone there were over 850 holes drilled with a total drilling footage of more than 65,000 m; six tunnels with a total drilling footage of 500 m; and a 1-m diameter vertical shaft with a total drilling footage of nearly 400 m. In addition, they studied over 2000 years of earthquake data and gathered 26 years of live earthquake measurement data.

The Chang Jiang is large and flows rapidly. How many times have large floods occurred because of this ancient river? How much designed flood control should there be in this dam? In the last 30 years, hydrology experts have searched sheer precipices, overhanging rocks, and various tall mountains along the river's banks for remnants of past floods, and from these they collated tons of hydrology data and live measurement records. Furthermore, over 10 large-scale historical flood surveys were conducted to the north and south of the river, and then finally the flood situation of the Chang Jiang during the last 800 years was clearly known. By using the method of hydro-meteorologic factors, they ascertained the greatest possible flood for the Three Gorges and thereby provided a reliable basis for designing the project.

The amount of sand transported by the Chang Jiang each year totals over 500 million tons, so a number of years after completion will the Three Gorges reservoir become choked by silt like the Sanmen Gorge reservoir on the Huang He? In order to obtain scientific data, science and technology experts built models for hydraulics, sand, and locks, and then carried out large numbers of experiments and ecological and environmental study in the areas of hydraulics, flow mechanics, rock mechanics, geomechanics, and soil mechanics. Recently, concerned science and technology departments after a long series of experiments with the Three Gorges models made clear that: In the key water conservancy project of the Three Gorges, the amount of silt in front of the hydropower plants and in the locks caused by the rising and lowering of the ship lifts will not be serious and can be removed by dredging. They also stated that after a half century it would still not lose the favorable conditions possessed at the beginning.

In summary, the mainland's water conservancy engineers and science and technology experts, through many years of work proved that there are no technological problems that cannot be overcome in developing the Three Gorges project.

Before dawn a thin fog covered the east entrance to the Three Gorges, as our boat left the Nanjin Pass the mountains on both sides became broad and level, the river became wider, and in the distance a large dam could be seen. It is said that the Gezhou Dam hydropower station lying before us, a part of the Three Gorges construction project, completed its first phase in 1981 and started producing beneficial power. It already has supplied over 13 billion kWh of electric power to the mainland's central area, and has become the largest electricity-producing power plant in all of China.

Such being the case, what effect will the future Three Gorges project have? An expert told me that the Three Gorges project's geographical location enjoys exceptional advantages, and economic indications show that its development will be exceptionally beneficial and have an enormous overall effect: The Three Gorges will be able to simultaneously guarantee flood prevention, utilize water resources, and develop shipping.

Flooding: Currently, there are over 75 million people in the flatlands of the middle and lower reaches of the Chang Jiang, more than 90 million mu of cultivated land, and 10-odd large and medium-sized cities, such as Wuhan, lining the river's edge. These cities mainly rely on the protection of over 30,000 km of dikes, and if there is an accident with a dike, the result would be difficult to imagine. Most flood disasters along the Chang Jiang occur in the middle and lower reaches, but the major source for the flood water comes from above the Three Gorges. Therefore, after building the Three Gorges Dam, if a large flood then occurs, it will be as "if 1 man guards the pass, 10,000 are unable to get through," it will effectively hold the floodwaters in the reservoir, ensure the safety of the dikes in the Jing Jiang flood diversion area, and avoid a devastating flood.

Generating electricity: The Three Gorges hydropower station fits in the mainland's plan of "transport northern coal to the south" and "transmit western electricity to the east," Shanghai, Beijing, Guangzhou, and Chongqing are all within its radius for economic transmission of electricity. The average annual electricity output of the station will reach 65 billion kWh, that figure equal to the total output for the country in 1981 and 5-fold more than that of the Gezhou Dam. This project will be strategically significant in turning around the present situation of severe electricity shortages in the coastal and eastern parts of China and in improving the mainland's condition of energy short supply.

Shipping: The Chang Jiang is the largest shipping artery in China; its length from the city of Yibin to where it enters the sea is 2,800 km, and it can accommodate travel yearround. But the river's problems are that it is swifter than the Li River, navigation is difficult and dangerous, and transportation costs are high. After the Three Gorges project is complete a large part of the river's rapids and dangers will be submerged and the 500-li reservoir area will become a calm, deep channel. Upstream from

Yichang, the flow of the river being regulated between both the Three Gorges and the Gezhou Dam reservoirs will improve shipping by allowing 10,000-ton-class ships to travel from the mouth of the Chang Jiang to Chongqing, and also enable goods for foreign trade from all provinces in the Chang Jiang basin to be transported through this "golden waterway" to all areas of the world.

Listening to this brief explanation by an expert, I felt a grand perspective swelling up inside me. However, an old reporter offered the following: The birth of this "huge water project" has forced several hundred thousand residents to move. Originally, based on the initial design for the Three Gorges Dam, roughly 300,000 people were to be moved out of the area to be flooded. This is a record number of people to be moved at one time during the more than 2,000 years of water conservancy project construction in China. It can be said that whether or not proper arrangements are made for the displaced people will be related to the success or failure of the Three Gorges project. The CPC authorities attach great importance to this point. Last year, State Council Vice Premier Li Peng, the person in charge of state energy development, proposed the following policy for giving impetus to lifting this "burden," "change the work of merely making arrangements for displaced people into a development program for them, allow them to fully utilize the superiority of the Three Gorges area, develop high-level production and various types of specialized households and local rural and township enterprises, while having hard work lead to prosperity." It is said that if this policy decision is put into effect it will kill two birds with one stone, it will ensure that construction on the Three Gorges project goes smoothly as well as enabling appropriate arrangements to be made for displaced persons, and thereby causing the Three Gorges region to flourish and prosper.

12704/12955
CSO: 4006/135

ECONOMIC PLANNING

BRIEFS

GUANGZHOU'S DEVELOPMENT STRATEGIES--A five-day seminar on Guangzhou's economic and social development strategies opened yesterday in Beijing. The seminar, sponsored by Guangzhou City Government and Party Committee, aimed to hear advice from economists and other experts on the city's strategies, said Zhu Senlin, acting mayor of Guangzhou. Zhu said, "the city had so far established business links with over 1,000 foreign banks in 140 foreign countries and regions. Guangzhou has been paying special attention to the absorption of foreign investment. The city has signed more than 17,900 contracts with foreign business interests since 1979, when the open policy began. More than 230 economists, scholars and journalists attended the opening. Leading Chinese economists, including Yu Guangyuan, Xue Muqiao and Liu Guoguang, were present. [by Nan Bei]

[Text] [Beijing CHINA DAILY in English 27 Nov 85 p 2] /9738

CSO: 4020/115

ECONOMIC MANAGEMENT

VICE COMMERCE MINISTER ON BUSINESS EDUCATION

OW260505 Beijing XINHUA Domestic Service in Chinese 1203 GMT 24 Nov 85

/Article by reporter Chen Yun/

/Text/ Beijing, 24 Nov 85 (XINHUA)--From now on, commercial departments will gradually put into effect an examination system when recruiting personnel. This means commercial workers must receive "training before employment," just as drivers must pass driving tests and get driver's licenses before they are allowed to drive vehicles. Commercial departments will no longer recruit workers and cadres directly from society. This remark was made by Vice Minister of Commerce He Jihai at a national business education work conference, which opened today.

Business education has been resumed and has developed reasonably quickly since the 3d Plenary Session of the 11th CPC Central Committee. The number of institutions of higher learning in the business field has increased from 13 to 23. There are now 334 secondary vocational and technical schools. The number of staff and worker universities has increased from 10 to 17.

He Jihai said: There are now 14 million commercial staff members and workers in our country. Among them, only some 145,000 have received specialized higher education, and only some 42,000 have received specialized secondary education. Particularly among the staff members and workers in grassroots commercial units, the vast majority were recruited directly from society and have not received good vocational training. Being of relatively poor quality as far as their professional capability and work morality are concerned, they are unable to meet the needs of modern commercial work. This is also one of the major reasons for the poor quality of service. To solve this problem, the following concrete measures, aimed at "training before employment," have been set up: Personnel to be employed should be selected from among the best of the graduates from vocational schools or pre-employment training classes in the same field as that required in the jobs, or in a similar field. Personnel to work in highly-specialized technical professions and trades must obtain specialized technical examination certificates before they can be employed. As for sons and daughters of commercial staff and workers recruited in line with the state regulations, training must also be given, and only those who are qualified can be actually employed.

These measures will be put into force in 1986. According to the plan of the Ministry of Commerce, by the year 1990, the goal of "training before employment" will be achieved in all areas which are relatively developed in economy and education. In ordinary provinces, municipalities, and autonomous regions, 70 percent of the newly recruited commercial personnel should receive pre-employment training. Those doing highly technical work should all receive pre-employment training. In areas with relatively poor conditions, about half the newly recruited personnel should receive training before being employed.

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CSO: 4006/339

ECONOMIC MANAGEMENT

PRC TO EXPAND PRODUCT LICENSING SYSTEM

HK280748 Beijing CHINA DAILY in English 28 Nov 85 p 1

[By staff reporter Chen Guanfeng]

[Text] A State licensing system that was introduced 18 months ago to help maintain the quality of the country's major industrial products will be expanded on a nationwide basis, CHINA DAILY was told recently.

A national conference called by the Bureau of State Standards is now in session in Beijing. Participants will work out specific measures and rules for rapidly spreading the practice to the whole country.

Rapidity does not mean rashness, however," an official of the bureau said. "We want to complete the system within the shortest time possible, but we will not disclaim the qualifications of enterprises for obtaining licenses.

"We will never issue licences to enterprises that fall short of the prerequisites set by the State Council," he added, declaring that those enterprises that have already obtained licences would also come under regular examination.

"If the quality of their products deteriorates, we will take back the licences," he warned.

For this purpose, the State will set up more than 110 product quality inspecting centres and conduct regular spot checks on the country's major industrial goods, the official said.

Issuance of the licences began last year to businesses producing export goods or major consumer items in accordance with a State Council mandate.

During the past 18 months, about 3,200 licences have been issued to more than 1,900 firms making machinery, electronics products, medicine, consumer goods, chemicals and telecommunication equipment.

A series of examinations is made before licences are issued. The examinations cover product designs, technology level, equipment, measuring methods, quality inspection instruments, quality control and even employees.

Companies that failed the examinations were ordered to halt production or adjust their schedules. Of the country's more than 500 boiler producers, for example, 300 had to alter their products after failing the examinations.

If the companies refused to make the required changes, the State would terminate their production quotas and cut off their raw material, energy and funds.

"With this system, slipshod production can be effectively curbed and consumer interests protected," an official of the Bureau of State Standards told CHINA DAILY in an interview.

"It can also save the country unnecessary losses and help promote the country's technical level as a whole," the official said.

Because of the poor quality of boilers and pressure containers, for example, more than 1,000 explosions occurred in the country from 1977 to 1980, resulting in the loss of 735 lives and more than 38 million yuan to the state.

Since 1980, when the Ministry of Labour and Personnel began to introduce the New System, not a single explosion has occurred that could be attributed to slipshod production.

"We are beginning. We have a long way to travel and many difficulties to overcome," the official said, pointing out that the country now has more than 430,000 industrial enterprises, of which more than 6,300 are large and medium-size ones.

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CSO: 4020/105

ECONOMIC MANAGEMENT

CONFERENCE CALLS FOR STRICTER CONTROL ON CONSTRUCTION INVESTMENT

HK250505 Beijing CHINA DAILY in English 25 Nov 85 p 2

[By staff reporter Jing Jun]

[Text] Chinese economists and planners are calling for stricter controls on investment in the construction sector, warning that excessive investment in it this year is posing a threat to the overall performance of economy.

Construction industry officials told CHINA DAILY the current major task of building companies across the country was to curb over-investment.

Participants at a national conference on investment policies currently in session in Beijing are drawing up detailed suggestions and recommendations on effective measures to regulate the sector's burgeoning growth rate.

According to summary reports on the suggestions made by economists and development planners at the conference, "the total figure for 1985 remains considerable although the growth rate for construction investment has slowed down."

After soaring to 56.6 percent growth rate in June, the pace of spending on construction projects began to drop with a rate of 50.2 percent in July, 28.6 percent in August, 23.7 percent in September and 28.8 percent last month. The scaling-down is attributed to the nationwide tightening of construction investment and postponing of thousands of projects not included in the State plan.

Although these measures are working, experts at the conference and officials in the construction sector warned that "the amount of construction investment in 1985 will still be more than the State's funds and supplies can handle," a report in ECONOMIC INFORMATION said.

"This would lead to poor results for the overall economy, just like last year," the participants said.

The news report cited some of the poor results such as budget deficit, the surplus of money in circulation, the lack of raw materials and the effects on the stability of prices and the living standard of the people.

The shortage of funds and construction materials will certainly delay the projects, create higher costs and lower the efficiency of investment, the participants said.

ECONOMIC MANAGEMENT

CONCLUSION OF NANNING MEETING OF PRC PLANT MANAGERS

HK250311 Nanning Guangxi Regional Service in Mandarin 1130 GMT 24 Nov 85

/Excerpts/ The second annual meeting of the Plant Managers and Directors Work Study Association of China concluded today after 4 days in session. During the meeting, the participants summed up and exchanged experiences and explored major schemes for reform. As a result of several days of study and exchanges, the participants further deepened their understanding of the spirit of the National Conference of Party Delegates, got a clear picture of the current excellent situation, strengthened confidence to persevere in reforms, and enhanced the sense of responsibility and mission of the plant managers and directors in achieving the Seventh 5-Year Plan and spurring the four modernizations drive. They also put forward very good views and suggestions on persevering in reform, creating external link conditions for the enterprises, and invigorating the enterprises.

The meeting adopted a letter of proposal to all managers and directors in the whole country, which said: Managers and directors must actively take the lead in studying the documents of the National Conference of Party Delegates and grasp the implementation of the spirit and decisions of the conference. They must publicize among the staff and workers the great significance of further promoting reforms of the economic structure, conduct education in the excellent situation, strengthen confidence in persevering in reform, and mobilize people's enthusiasm to achieve the Seventh 5-Year Plan.

It is necessary to straighten out the guiding ideas on plant operations and truly establish the idea of shifting enterprise work to center on improving economic results.

It is necessary to continue to put reform in the first place, do a good job in operating the managerial responsibility system, and make proper use of the powers conferred by the state to enliven the enterprises. It is necessary to correctly handle the relationship between the party, the government, and the workers' organizations within the enterprises. It is necessary to respect the party committees, spontaneously accept supervision by the party organizations and the worker masses, and promote democratic management. It is necessary to seriously implement the principle of distribution according to work.

It is necessary to vigorously promote technological progress, import, and transformation, and rely on internal factors to strengthen the enterprises' reserve strength. It is also necessary to do well in introducing new generations of products.

ECONOMIC MANAGEMENT

BRIEFS

INDISCRIMINATE LICENSE ISSUING CURBED--Changchun, 15 Nov--The Jilin Provincial CPC Committee and People's Government recently stipulated that all localities and departments should carry out a general inspection of licenses, certificates, signs, and pamphlets that have been issued in the rural areas and take drastic measures to effectively solve the problems of indiscriminately issuing licenses and collecting costly charges for them. According to investigations, some localities and departments in this province have indiscriminately issued more than 30 kinds of "high-cost license." The stipulations of the Provincial CPC Committee and Government pointed out: All licenses and certificates which have not been stipulated in explicit terms by the central authorities or which need not be issued for the time being should not be issued or used. All licenses and certificates which have been stipulated in explicit terms by the central authorities should be issued at operating costs, should be refunded. The service life of licenses, certificates, signs, or pamphlets in use should be extended as far as possible. They should not be changed annually. In the future, governments at all levels should issue licenses, certificates, signs, or pamphlets to the rural areas free of charge or at operating costs. The standards or methods of collecting charges should be approved by the general office of the provincial government. /Text/ /Beijing RENMIN RIBAO in Chinese 20 Nov 85 p 1 HK/ 12228

CSO: 4006/339

INDUSTRY

ZHAO ZIYANG ATTENDS BAOSHAN OPENING CEREMONY

OW261719 Beijing XINHUA in English 1656 GMT 26 Nov 85

[Text] Shanghai, 26 Nov (XINHUA)--The completion of the first stage of Baoshan iron and steel complex is a major achievement in China's socialist modernization drive, Premier Zhao Ziyang said here today.

At a ceremony to celebrate the start of operations, he said: "It is a fruitful result of the policy of opening to the outside world and importing foreign advanced technology."

He encouraged workers to run the complex as efficiently as possible, set high standards for themselves and to make the plant a shining example for other steel works to follow.

Among 2,000 people present for the ceremony were G. Evans, Australian minister for resources and energy, and ambassadors and guests from Australia, Brazil, the Federal Republic of Germany and Japan.

These countries are suppliers to the complex of equipment or raw materials.

Messages from the Communist Party Central Committee and the State Council, and from Japanese Prime Minister Yasuhiro Nakasone and Foreign Minister Shintaro Abe, were read at the ceremony, which was organized jointly by Shanghai authorities and the Ministry of Metallurgical Industry.

Speeches were given by Qi Yuanqing, Chinese minister of metallurgical industry and Yoshihiro Inayama, honorary chairman of the Nippon Steel Corporation.

After the meeting, the Zhao Ziyang cut a ribbon to declare the complex officially open, and pushed a button to operate the steel-smelting line.

The first stage, involving 22 processes including coking, sintering, iron smelting, steelmaking, blooming and seamless-steel tube making, went into trial operation in September.

It is scheduled to produce 500,000 tons of pig iron, 400,000 tons of steel and 300,000 tons of steel billets by the end of this year.

By 1990, when the second stage is expected to be completed, the complex will be able to produce 6,500,000 tons of iron and 6,700,000 tons of steel a year--more than any other Chinese plant.

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CSO: 4020/111

INDUSTRY

FURTHER ON ZHAO'S ACTIVITIES AT BOASHAN OPENING

OW270518 Beijing XINHUA Domestic Service in Chinese 1632 GMT 26 Nov 85

[Reported by Zhou Yongkang]

[Excerpts] Shanghai, 26 Nov (XINHUA)--At 4:15 this afternoon, standing on the converter platform of the steelmaking plant at the Baoshan Iron and Steel Complex, Premier Zhao Ziyang cut a ribbon to declare the complex officially open.

Attending today's opening ceremony were Premier Zhao Ziyang and responsible persons of departments concerned of the CPC Central Committee and the State Council including Wang Heshou, Han Guang, Lu Dong, Qi Yuanjing, Li Dongye, Cao Yanguen, and Chen Jinhua. Also present were responsible comrades from Shanghai including Rui Xingwen, Jiang Zemin, Chen Guodong, Hu Lijiao, Wang Daohan, Li Guohao, and Zhu Zongbao.

At the ceremony, Shanghai Mayor Jiang Zemin read messages from the CPC Central Committee and the State Council congratulating the completion of the first-stage of the Baoshan Iron and Steel Complex.

This morning, Premier Zhao Ziyang toured the complex's coking, iron smelting, blooming, and seamless-steel tube making plants, and expressed satisfaction over the complex's trial operation. At noon, Premier Zhao met and held friendly talks with guests from Japan, the FRG, Australia, and Brazil who were here to attend the ceremony.

In the evening, the Ministry of Metallurgical Industry and the Shanghai Municipal People's Government held a reception for the Chinese and foreign guests.

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CSO: 4006/365

INDUSTRY

BAOSHAN COMPLEX PRODUCTION STEADILY RISING

OW220904 Beijing XINHUA in English 0758 GMT 22 Nov 85

[Text] Shanghai, 22 Nov (XINHUA)--The first stage of the Baoshan iron and steel complex has operated normally with output rising steadily and quality up to standard since trial production from mid-September, according to officials of the complex.

It produced 310,000 tons of pig iron, 200,000 tons of steel ingot and 150,000 tons of steel billet up to Wednesday.

The Ministry of Metallurgical Industry and the Shanghai municipal government will hold a celebration next week of the official operation of China's most advanced iron and steel works.

The first stage is designed to turn out 3.12 million tons of steel each year.

Daily output of China's biggest blast furnace has risen from 2,000 tons to 6,000 tons. The 4,063-cubic-meter furnace has a designed capacity of 10,000 tons a day. Daily output of steel and ingot has reached to 5,000 tons each.

The continuous hot rolling and cold rolling mills of the Wuhan iron and steel works, which process the billets produced by the Baoshan plant, report that the billets are well-shaped and up to standard for measurement and chemical elements.

As control, scheduling and management of all the production processes have been computerized, all the operators and managers received strict training before they began to work, according to officials of the complex.

They singled out the power plant of the complex to illustrate the stability of the facilities. The power plant has operated safely for three years, a record for China's big thermal power plants.

The complex is also advanced in environmental protection. Almost no smoke is discharged by the smoke stacks. Soot is trapped. Exhaust gas is piped into local residential housing and the power plant as fuel.

Over 95 percent of the construction work has been appraised as high quality.

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CSO: 4020/111

INDUSTRY

JI GUOBIAO SPEAKS AT MAN-MADE FIBER CONFERENCE

OW210801 Beijing XINHUA in English 0652 GMT 21 Nov 85

[Text] Beijing, 21 November (XINHUA)--China's man-made fiber industry can now provide clothing for 800 million people with the current annual output of 800,000 tons, and this is expected to reach 1.3 million tons by the year 1990.

This was revealed by Ji Guobiao, vice-minister of the textile industry during the International Conference on man-made fibers now under way in Beijing.

According to him, China's man-made fiber industry started in the 1960s by importing technology and equipment. It can now produce in large quantities polyester, (vinyl) acrylic and other kinds of synthetic fibers that are mainly produced by industrialized countries. China can also turn out some newly developed varieties such as air-jet polyester fiber, he added.

It is believed that China's man-made fiber industry has great potential for further progress, for there is a big domestic market and the rapidly developing oil industry ensures raw material support.

Ji, who is also the vice-chairman of the China Textile Engineering Association, said the output of man-made fibers can be expected to exceed two million tons in the year 2000.

He told XINHUA that through cooperation with and advanced technology transfer from other countries, China has improved its capability to build the necessary machinery. Currently, he continued, China is able to equip complete plants of a fairly high technical level for the production of polyester fiber and viscose rayon.

However, the vice-minister pointed out that China's man-made fiber industry should expand its international economic and technical cooperation. In particular, the utilization of foreign funds and the introduction of advanced technology should be carried out at a faster pace.

He commented that the present Beijing International Conference on man-made fibers provides a good chance for such cooperation.

More than 300 Chinese and foreign specialists and scholars from 22 countries and regions are attending the conference, sponsored jointly by the United Nations Industrial Development Organization and the Textile Industry Ministry.

Some foreign experts attending the conference consider that the development of China's man-made fiber industry is outstanding; within 15 years, the annual output has jumped eightfold.

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CSO: 4020/106

INDUSTRY

PRC MINISTER ON AVIATION INDUSTRY ACCOMPLISHMENTS

OW222028 Beijing XINHUA in English 1531 GMT 22 Nov 85

[Text] Beijing, 22 November (XINHUA)--China's aviation industry turned out 135 regular civilian aircraft and a number of ultra-light planes in the Sixth Five-Year Plan from 1981 and 1985. This was announced by Mo Wenxiang, minister of aviation industry, in an exclusive interview with XINHUA here today.

The civilian aircraft include yun-7 medium- and short-range passenger planes, yun-8 medium-sized transporters, yun-11 and yun-12 multi-purpose aircraft and zhi-9 light helicopters.

Minister Mo said these aircraft are now being used by the Civil Aviation Administration of China (CAAC), geological departments, the Xinjiang Production and Construction Corps, the Air Force, the Navy and the China Offshore Helicopter Service Corporation.

He said China-made aircraft have performed well in industrial and agricultural production, oil prospecting and medium- and short-distance transportation.

The yun-7 aircraft has recently been put into service on CAAC's flights between Shanghai and Wuhan.

China's aviation industry has made achievements in scientific research and production by upgrading existing aircraft and improving technological performance. But, the minister said, "this is only a beginning. The next five years will witness a big development in China's aviation industry".

Meanwhile, the aircraft makers will develop four new models of aircraft with technological standards up to the level of the 1980s, including a 50-seat medium- and short-distance plane, a 40-seat short-distance one, a special-purpose plane and a helicopter.

At the same time, the industry will develop new engines with the latest technological standards, the minister added. He said China will make efforts to develop its aviation industry in order to keep pace with the nationwide economic policy and civil aviation business. He said that the aviation industry will expand international cooperation by undertaking joint design and co-production, inviting experts and importing some key equipment.

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CSO: 4020/106

INDUSTRY

GREAT STRIDES MADE IN MECHANIZING COAL INDUSTRY

OW021148 Beijing XINHUA in English 1128 GMT 2 Dec 85

[Text] Beijing, 2 Dec (XINHUA)--Almost one-fourth of coal-cutting in China's major coal mines is fully mechanized now, minister of coal industry Yu Honger announced here today.

This is against 13 percent in 1980. Roughly another 45 percent is semi-mechanized, as against 37 percent in 1980.

The ministry set the goal of "technology and scientific research in the service of production" for the sixth five-year plan period (1981-1985).

More than 400 major achievements in scientific and technological research have been made in the past five years, with 40 items winning national prizes.

In absorbing advanced technology from abroad, the 57-year-old minister said, manufacturing technology and cooperative research were replacing the purchase of complete sets of equipment. He added that his ministry has technical exchanges and economic cooperation with more than 20 countries. The industry has absorbed 1,500 million U.S. dollars of foreign investment for the construction of 13 key mines or open cast mines.

The seventh 5-year plan period includes construction of a number of modern mines with fully mechanized coal-cutting and advanced telecommunications, control and management systems.

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CS0: 4020/111

INDUSTRY

SHAANXI TO BUILD MOTOR VEHICLE PRODUCTION BASE

HK261352 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 24 Nov 85

[Text] During the Seventh 5-Year Plan, the province will develop rather greatly of motor vehicle production, which is very significant to the national economy.

Shaanxi automobile plant and Shaanxi automobile gear wheels plant, which are producers of heavy-duty cross-country motor vehicles for military use, are large core enterprises in China's industry of motor vehicle production. They are quite large in scale and have a sound foundation for producing heavy-duty motor vehicles. For this reason, China Automotive Industry Corporation, China heavy-duty automotive industry joint company and the provincial government have recently decided to use these two plants as the base and develop the province's automotive industry. Moreover, they will invest 140 million yuan in the plants by transforming and expanding them. At the same time, Shaanxi automobile plant and Shaanxi automobile gear wheels plant have signed contracts on technological transfer with (Sipa'er) company of Austria and Eaton company of the United States. The plants will import from these two companies the (Sipa'er) series heavy-duty motor vehicles, gear boxes and (Sipa'er) gear wheels, which are advanced products in the world. They also decided to establish a plant in Xian so as to ensure the production realization of the above items.

The plans of technologically transforming and expanding Shaanxi automobile plant and Shaanxi automobile gear wheels plant, which were worked out by the Design Institute of China Automotive Industry Corporation, have been examined and approved by China Automotive Industry Corporation, China heavy-duty automotive industry joint company, the provincial planning committee and the provincial economic committee. The large-scale capital construction projects will be started on full scale by early next year. It is expected that the projects will be completed by the end of 1988. Upon completion, this base will have a capacity for producing an annual gross industrial output value of more than 1 billion yuan. Therefore, this base will play an important role in doubling the province's industrial output value during the Seventh 5-Year Plan.

/12640

CSO: 4006/365

INDUSTRY

SHANGHAI SHIPBUILDING EXPORTS SHOW INCREASE

HK210355 Hong Kong TA KUNG PAO in English 21 Nov 85 p 5

[Text] The Shanghai Shipbuilding Corporation has earned U.S. \$500 million from the 57 ships it has built for overseas shipping firms since its founding in 1981, as compared with nine between 1949 and 1980, corporation official Wu Mengkang said.

Vessels built in the five years have been delivered to companies in Hong Kong and more than 10 countries, including Australia, West Germany, Italy, Norway, Romania, Singapore and the United States.

We declared that altogether his corporation has built 454 ships totalling 1.51 million tons for home and abroad since 1981, all up to international construction standards. The tonnage represents a 50 percent increase over the total for the five years preceding 1980.

He said that 156 ships totalling nearly 400,000 tons are expected to be completed this year. Among them are 13 vessels of more than 10,000 tons.

In addition, 14 other ships exceeding 35,000 tons each are being built. Among them are five 60,000-ton oil tankers.

The Shanghai Shipbuilding Corporation manages nine shipyards, some of which are among the largest in China.

The corporation has used imported technology and main engines bought abroad or jointly designed with foreign firms to build ships for export. These include 27,000-ton freighters, container ships, 36,000-ton bulk carriers and multi-purpose cargo ships.

"It is our policy to import advanced technology to upgrade the shipyards for construction of high-quality vessels for exports," Wu said.

It has also imported advanced technological progresses for making main engines and sea water desalination devices, as well as painting, rust removal and numerical-controlled cutting tools.

Some of its building berths and docks have been renovated or expanded. Now they are capable of building 35,000-ton ships. The average time for making a 10,000-ton vessel has been cut from 18 months to 12 months.

The corporation also repairs ships and scrap old vessels. Now, at least 20 foreign ships call at Shanghai docks for repair each year, while about 200,000 tonnes of steel is dismantled from ships annually.

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CSO: 4020/111

INDUSTRY

BRIEFS

SHANGHAI FREIGHTER LAUNCHING--According to a report by station reporter (Xu Zhenlie), a 39,000-metric-ton bulk freighter, An Ping No 1, the largest of its kind built in the Shanghai area, was launched successfully yesterday afternoon at the Jiangnan shipyard. Shanghai Municipal CPC Committee Secretary Rui Xingwen attended the launching ceremony and delivered a speech. Rui Xingwen said: Shipbuilding is an important industry for our country's future. It is a field that is awaiting to be explored. He hoped that Jiangnan shipyard's staff members and workers will struggle in unity, further expand their lofty plans, and take up a leading role and score greater achievements in developing our country's shipbuilding industry and popularizing it on the international market. Comrade Rui Xingwen also cut the ribbon at the An Ping No 1 launching ceremony. Last year, the Jiangnan shipyard's shipbuilding tonnage exceeded 10,000 metric tons. This year, the shipyard has begun to build a 65,000-metric-ton tanker in an effort to make its total shipbuilding tonnage exceed 300,000 metric tons by 1990. [Text] [Shanghai City Service in Mandarin 2300 GMT 29 Nov 85] /12640

SHANGHAI INDUSTRIAL OUTPUT--Shanghai's total industrial output value for the January-October period was 68.64 billion yuan, up 11.2 percent from the same period of 1984. [Summary] [Shanghai City Service in Mandarin 2300 GMT 4 Nov 85 OW] /12640

SHANGHAI BULK CARRIER LAUNCHING--Shanghai, 29 Nov (XINHUA)--A 39,000-dwt bulk carrier, the biggest ever built by China, was launched here today. The vessel was built by the Jiangnan Shipyard of Shanghai. Jiangnan has received orders for building three more bulk carriers of the same capacity, according to a shipyard spokesman. Work will begin this year to build 2 vessels, of 40,000 dwt and 60,000 dwt, respectively. [Text] [Beijing XINHUA in English 1200 GMT 29 Nov 85 OW] /9738

CSO: 4020/111

CONSTRUCTION

DEFENSE MINISTRY TEAM HELPS INSTALLATIONS

OW300626 Beijing Domestic Service in Mandarin 0400 GMT 29 Nov 85

[Text] The installation team under the Commission of Science, Technology and Industry for National Defense has brought into full play the role of its predominant equipment and technology and actively helped various localities fulfill their installation and design tasks. Since the beginning of this year, the team has completed 12 large installation projects that cost over 10,000 yuan and 15 projects that cost over 3,000 yuan in installation fees.

This installation team shoulders the responsibilities of installing equipment in various proving grounds for conducting scientific research work for national defense. It is fairly strong in its technical strength. For the past few decades, the team has fulfilled, on various occasions, the task of installing equipment to help explode China's first atomic bomb, to help launch China's first man-made satellite, first carrier rocket, and first synchronous communications satellite; and to carry out other important tests.

Since last year, the team has spared part of its technical strength and equipment to support the development of the local economy while fulfilling its tasks for national defense.

The Luoyang lumber mill is located in the middle section of a railway line with heavy assignments in loading and unloading. In the past, it took a great deal of time to load and unload lumber because there was no large crane available. This had greatly affected the railway traffic. The lumber mill decided to install a large gantry crane. This crane weighed 120 tons itself with its main structure weighing as much as 100 tons. Its total height reached 18 meters. No unit was able to install this crane locally. The installation team of the Commission of Science, Technology and Industry for National Defense had organized its manpower in a timely way to help install this crane. In order to prevent the railway traffic from being obstructed for a long period, the cadres and fighters of the team worked days and nights on an overtime basis, thus fulfilling the task of installing the crane ahead of schedule.

Linru County, Henan Province, planned to build a 110-meter high radio-tv tower with supporting guy wire ropes and a total weight of more than 20 tons. It only took the installation team one month to complete the tower installation assignment with the high quality.

CONSTRUCTION

QINGHAI DEVELOPS TELEVISION DURING SIXTH 5-YEAR PLAN PERIOD

HK291506 Xining Qinghai Provincial Service in Mandarin 2330 GMT 27 Nov 85

[Text] During the Sixth 5-Year Plan period, the province greatly developed television. By the end of November this year, the province will have built television relay stations in six autonomous prefectures and 42 cities, counties and townships. Furthermore, Yushu, Guoluo and Haibei autonomous prefectures and Golmud City have built satellite television ground stations. The number of television relay stations owned by the province's rural and pastoral areas was increased from 17 in 1980 to 115. Some 46 percent of the province's populated area is covered by the television broadcast.

Over the years, the provincial CPC Committee and government have attached great importance to the development of television. They frequently held special meetings discussing development plans. In connection with the central principle of running radio and television broadcasts, as well as developing the coverage area, by the state, provinces, prefectures, cities and counties themselves, the province allocated a considerable amount of subsidies to remote and backward areas for development. Those prefectures and counties which had a sound base for development also built their television stations and run the undertaking through self-reliance and by raising funds. Engineers and technicians of the provincial radio and television department have been working hard in the rural and pastoral areas all year round, providing services to building television stations projects. They were praised by the people of various nationalities. At present, Haixi Prefecture alone has 20 television relay stations and a satellite television ground station.

In the wake of the province's development of television, tens of thousands of households in the rural and pastoral areas now can access through television the party's principles and policies; various kinds of information, cultural, and recreational activities; knowledge about science, technology and education; and the building of spiritual civilization. Some counties like Huangzhong, Huangyuan, Datong and Huzhu even use television to educate society and make full use of the undertaking.

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CSO: 4006/365

CONSTRUCTION

GUANGZHOU DEVELOPMENT DISTRICT FACTORIES READY BY JUNE 86

HK220417 HONG KONG SOUTH CHINA MORNING POST (Business News Supplement) in English 22 Nov 85 p 6

[By Paul Sham]

[Text] Five factory buildings now under construction in the Guangzhou Economic and Technological Development District will be completed by June, a senior city government official said. This infrastructure will facilitate an early start for the more than 30 investment projects signed with foreign enterprises, he added.

Investment in the projects, which include the production of food additives and stainless steel kitchenware, so far totals about US \$70 million.

Among them are an \$8 million multi-layer printed circuit board plant by Elec and Eltek and a \$25 million canning plant for the Tsingtao Brewery.

Guangzhou authorities hope to fully develop 1.5 sq km of the 9.6 sq km district by the middle of next year.

The district, situated alongside Huangpu harbour, is 35 km from Guangzhou and 114 km from the Shenzhen special economic zone.

Construction work began in January following the decision by the State Council to set up the district late last year.

The Guangzhou official, who declined to be named, said reclamation work in the first phase is almost complete, while the telecommunication system will begin operation before the end of the year. Five main roads will also be completed by then, he added.

To back up the services needed for the first phase of the district, an office building, eight blocks of dormitories and a hotel will be built, he said.

The official said more investment projects will be expected when the infrastructure for the first phase is ready. To improve the district's investment environment, the official said the authority has set aside a budget of around 100 million yuan for each kilometre of land to be developed.

Despite the tight currency controls in China, he said the pace of development for the district will not be affected. There are 11 economic and technological development districts in China.

The Guangzhou District is one of three which has been given priority treatment, he said. The other are Tianjin and Dalian.

A total area of 2.6 sq km will be developed during the Seventh Five-Year Plan, which starts next year, the official said.

This phase of development will be in Nanwei and Gangqian which are situated at the southern tip of the district. The whole district is expected to be developed in 10 years.

/12913

CSO: 4020/106

CONSTRUCTION

HAINAN MAKES PROGRESS IN PORT CONSTRUCTION

HK261344 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT
25 Nov 85

[Text] During the Sixth 5-Year Plan period, the Hainan Administrative Region made significant progress in port construction. The authorities at the upper level have approved the allocation of some 300 million yuan to build the ports in Haikou, Yangpu and Basuo. The investment sum exceeded by about two times the total investment sum in the region's port construction for the past 30 years.

The major projects of port construction include the expansion and building of two berths for ships having a tonnage of 5,000 in the old port area of Haikou; and the expansion of wharves for groceries and ores in Basuo port. The project of wharf overpasses in the ports will be basically completed by the end of this year and will be partially put into operation early next year. Therefore, the annual turnover volume of Hainan ports will be increased by 1.4 million tons.

The feasibility study and preliminary plans for the Yangpu port project had been completed respectively in September last year and April this year. They were examined and adopted by the examination meetings held in Hainan and Beijing. The port will build two berths for ships having a tonnage of 20,000 as well as corresponding facilities. According to the design, the annual turnover volume of the port will be 1 million tons. The project will be started on a full scale early next year and will be completed in 2 to 3 year's time. At present, the port is busily making preparations for the project.

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CSO: 4006/365

CONSTRUCTION

BRIEF

NEW ANHUI COAL MINE--Hefei, 23 Nov (XINHUA)--The Renlou coal mine in Anhui Province, the largest undertaken by a local government in China, started construction today. The coal mine is planned to go into operation in the early 1990s, with an annual production capacity of 1.5 million tons. The Anhui provincial government will invest 230 million yuan in the mine, which has reserves of more than 170 million tons, according to local officials. China now encourages local governments as well as peasants to start coal mines. Local mines in Anhui Province are producing five million tons this year, meeting the target originally set for 1990. Anhui is a major coal supplier to highly industrialized Shanghai and other parts of East China. [Text] [Beijing XINHUA in English 1617 GMT 23 Nov 85] /9738

TIANJIN PORT WIDENED--Tianjin, 29 Nov (XINHUA)--The main navigation channel of Tianjin Port has been widened, allowing two 10,000 dwt-class ships to pass in opposite directions. It has been deepened from 7 to 11 meters and its bottom widened from 60 to 150 meters, making it possible for ocean-going container ships and conventional cargo ships with a capacity of up to 50,000 dwt to reach the port area. The project to improve the channel began in 1977 and was completed Thursday. The cost was 73 million yuan (rmb), according to a spokesman for the port administration. Tianjin Port is the largest in North China. [Text] [Beijing XINHUA in English 1615 GMT 29 Nov 85] /9738

HUBEI TRUCK PLANT--Wuhan, 1 Dec (XINHUA)--China's No. 2 motor vehicle plant is building a heavy-duty truck production center at Xiangfan in Hubei Province. The center will mainly produce eight-ton diesel engine trucks and develop 12-ton and 14-ton trucks. When completed in 1992, it will be China's biggest heavy-duty truck producer, making 60,000 trucks a year, about a quarter of China's motor vehicle output. Now the center's forging factory has been erected. The center will also have a diesel engine plant, an assembly shop and a punching and pressing factory. [Text] [Beijing XINHUA in English 0634 GMT 1 Dec 85] /9738

STEEL COMPLEX DELAYED AGAIN--Shanghai, 26 November KYODO--Completion of the second stage of the Baoshan Iron and Steel Complex in Shanghai will be delayed by about one year, informed sources here said Tuesday. According to the sources, China's poor foreign currency reserve situation and a new Chinese policy of procuring necessary equipment domestically as much as possible will cause the completion, originally slated for 1990, to be delayed until around June 1991--outside of the nations' Seventh Five-Year Economic Program (1986-1990). China recently completed the first stage of the plant after many delays and the completion ceremony is scheduled to take place Tuesday, attended by more than 30 Chinese dignitaries, including Premier Zhao Ziyang. Japan will be represented by Yoshihiro Inayama, Chairman of the Federation of Economic Organizations (Keidanren), and other top businessmen. [Text] [Tokyo KYODO in English 0449 GMT 26 Nov 85] /12913

CSO: 4020/106

FOREIGN TRADE AND INVESTMENT

PRC TO CHECK QUALITY OF IMPORTED ELECTRONIC PRODUCTS

HK210230 Beijing ZHONGGUO XINWEN SHE in Chinese 0254 GMT 19 Nov 85

["Many Electronic Products Imported Into China Are Fake"--ZHONGGUO XINWEN SHE headline]

[Text] Beijing, Nov (ZHONGGUO XINWEN SHE)--The Fifth Research Institute of the Chinese Ministry of Electronics Industry checked 59 batches of electronic products imported between last April and September. The results of the check showed that 32 of these batches were below quality standards. This accounted for 54.2 percent of the total number of batches checked. The value of the products was \$5.93 million, accounting for 73 percent of the total value of the products checked.

According to a report in ZHONGGUO DIANZI BAO [CHINESE ELECTRONICS DAILY], most of the fake goods came from Hong Kong. For example, it was found that 11 shipments containing 1.88 million fake sharp 838 calculators worth a total value of \$5.32 million [figures as received], which were exported by the Hong Kong Kang-tao [1680 6670] Industrial Co. Ltd., Hong Kong Kien-le-chuan-yin [5114 2867 0356 7299] Co., and Hong Kong Fu-hsing-hang [4395 5281 5887] Trade Co., were all below quality standards.

In order to prevent these foreign products of poor quality from entering the Chinese market, the Ministry of Foreign Economic and Trade Relations, Ministry of Commerce, and the State Commodity Inspection Bureau have recently jointly issued "provisional methods of control over the checking of the quality of imported family electric appliance." These stipulate that all imported family electric appliances must be examined by the Commodity Inspection Bureau or the inspection organizations recognized by the bureau within the period of time stipulated by the contracts. Without being checked, no imported assembled family electric appliance is allowed to be put on sale, nor is any part of such appliance allowed to be assembled in our production.

/8309

CSO: 4006/342

FOREIGN TRADE AND INVESTMENT

FRG LUFTHANSA TO INVEST IN PRC AVIATION SERVICE CENTER

Duesseldorf HANDELSBLATT in German 15 Oct 85 p 1

[Article datelined Munich, 14 October 1985: "Strauss Views PRC as a Big Aircraft Market; Bavarian Business Delegation Returns From Qingdao"]

[Text] According to information from Bavarian government chief Franz Josef Strauss, Lufthansa will participate in the construction of a DM 620 million service center of Chinese aviation with a share of DM 120 million. Strauss, after his return from a two-week East Asia trip, emphasized to jouranalists in Munich that China is one of the most important future markets for the Airbus.

The CSU chairman, who is chairman of the Airbus board of directors, underscored in this connection that "considerable orders" are to be expected here. The Chinese are highly satisfied with the "99-percent availability" of the two aircraft thus far delivered. The third aircraft is to be delivered in the near future. With the long-distance Airbus now being developed, China could offer nonstop flights to Europe in the future. Messerschmitt-Boelkow-Blohm (MBB) wants to produce parts of the Airbus directly in China.

According to Strauss himself, he has intervened with Federal Chancellor Helmut Kohl to remove the obstacles for MBB for cooperation in the building of the BO-105 helicopter. Kohl, on his part, has finally achieved with Economics Minister Martin Bangemann (FDP) that MBB can participate in a try-out competition in China with the PAH-1 antitank helicopters, the military version of the BO-105. The British, Italian and U.S. competitors also participate in the competition. Strauss emphasized that he traveled to China as a "weapons technological lobbyist." Cooperation in this field is not in the center of discussion. Nevertheless the Federal Republic should not put itself in fetters, which others have long thrown off, as soon as technical products also become militarily useful.

China apparently is taking a very critical view of the U.S. space project SDI. Strauss, a pronounced advocate of German participation in SDI, defended the project by the military use of space by the Soviet Union, which has been a reality for a long time. The relationship between Moscow and China has improved, but it is far from normal. This will not occur until the Soviets have withdrawn from Afghanistan and have given up their support of the Vietnamese intervention in Cambodia.

In addition to cooperation in the aviation field, the high ranking business delegation, which Strauss accompanied to the opening of the Bavarian industrial exhibition in Qingdao, also negotiated on cooperation for Bavarian breweries and even canalization of the Chinese Han River. For this purpose, Strauss offered the services of the engineering team of the Rhine-Main-Danube Canal when the latter will be completed in 1992.

12356

CSO: 4620/10

FOREIGN TRADE AND INVESTMENT

AUSTRIAN BANK TO FINANCE PRC HYDROELECTRIC POWER PLANTS

Duesseldorf HANDELSBLATT in German 6-7 Sep 85 p 1

[Text] kg Vienna, 5 Sep 85--Creditanstalt-Bankverein, Austria's biggest and 60-percent nationalized bank, as leader of an Austrian banking consortium has signed an overall credit agreement with the Bank of China for 6.9 billion Austrian schillings (just short of DM one billion) for the financing of tubular turbine power plants in the PRC. This overall credit agreement guarantees financing in the amount of 6.9 billion Austrian schillings of the 27 tubular turbine hydroelectric power plants planned by ELIN-Union, the prime contractor.

These power plants are of special interest to the state ELIN because a type is involved that has already been built by the company in China. With this agreement the exporter has the opportunity to deliver power plants with a total value of 6 billion Austrian schillings to China over a period of 8 years. The Voest-Alpine and Voith firms and the Maschinenfabrik Andritz are included as turbine subcontractors. The capacity of the installations varies from 3.2 MW to 180 MW.

Japanese, French, British and Italian firms were mentioned as main competitors of ELIN. The president of the Bank of China, Wang de-Yan, while in Vienna however emphasized that an overall credit agreement of this nature was signed only with Austria.

The Chinese remained very hard as regards credit terms. Only when Austria expressed its readiness to make the credit available at 6 percent and over an 18-year period did a successful deal emerge.

12356

CSO: 4620/10

FOREIGN TRADE AND INVESTMENT

TIANJIN MAYOR SPEAKS ON FOREIGN TRADE WORK

SK190457 Tianjin City Service in Mandarin 0030 GMT 19 Nov 85

[Excerpt] In order to implement the guidelines of the National Conference of Party Delegates, to fulfill Tianjin Municipality's export plan for 1986, to export more, and to earn more foreign exchange for the state, the municipal people's government held a Tianjin Municipal export work conference yesterday. Mayor Li Ruihuan spoke at the conference. Vice Mayor Li Lanqing gave a mobilization report. Vice Mayors Zhang Lichang and Liu Jinfeng attended. Also attending were some 1,200 responsible comrades of various goods supply bureaus, foreign trade bureaus, specialized companies, and industrial trading companies. The conference analyzed the current situation, worked out the export plan for next year, and put forward specific policies and measures for encouraging exports.

Mayor Li Ruihuan gave eight opinions in his speech.

1. The situation in foreign trade is very good, and the achievements are great. We should clearly understand the situation, affirm achievements, commend the advanced, and make unremitting efforts.
2. Experiences have been gained in foreign trade, but there are still deficiencies. We should conscientiously sum up the experiences, consolidate and develop the good, overcome and discard the bad, and make arrangements for and do the work for next year with more initiative.
3. Tianjin's position and development have required the need for successful foreign trade. Although we have achieved progress in foreign trade, there has been no prominent development. Comrades on the foreign trade front should foster lofty ideals, set high goals, be determined, and work out ways for a great development in foreign trade.
4. An issue of prime importance in foreign trade is the quality and variety of products. Then there is the issue of marketing. We should rely on the initiative of industrial and trade departments in resolving these issues. While unifying their thinking and intensifying their education, we should study ways to encourage the initiative of industrial and trade departments.

5. A conspicuous problem at present is purchasing prices. In addition to the subjective situation of large demands of domestic markets, there is a problem of low prices of and high demands on the goods purchased for export, which we should solve so that enterprises exporting goods can earn profits.

6. Whether or not foreign trade is successful is decided, in the final analysis, by the work of the foreign trade front. We should consolidate the contingents of foreign trade personnel, improve their political consciousness, skills and level, formulate rational targets to appraise foreign trade work, and carry out the policy of awarding on the basis of work.

7. Combining industrial production and trade is the key to and orientation of foreign trade development. We have conducted some beneficial experiments on this, but progress is not prominent. We should continue experiments in various fields, explore new roads, and work out new methods.

8. Successful foreign trade is the common task for the people throughout the municipality. Industrial and trade departments should strengthen cooperation and coordination, and all trades and professions should support foreign trade, and exert concerted efforts to promote foreign trade. Whether or not foreign trade tasks are fulfilled successfully should be taken as an important criterion for assessing and distributing the work of the enterprises with export responsibilities.

/8309

CSO: 4006/342

TRANSPORTATION

PRC TO LIMIT MOTOR VEHICLES OWNED BY PEASANTS

OW301336 Beijing XINHUA in English 1031 GMT 30 Nov 85

[Text] Shijiazhuang, 30 Nov (XINHUA)--China plans to step up control of motor vehicles owned by peasant households in small towns and rural areas to cut down traffic accidents.

Nearly half of the traffic accidents that have happened so far were caused by such vehicles, according to a national meeting held this week in Renqiu county, Hebei province.

The number of private vehicles has snowballed over the past few years, under the policy of encouraging peasants to engage in nonfarming undertakings to boost a market-oriented rural economy.

But many drivers lack driving skills, the meeting, called by the Ministry of Transport, reported.

To tackle the problem, technical examinations for drivers will be carried out strictly, and training and study of traffic regulations strengthened.

The national traffic control department also plans to extend its supervision setup down to township level, the meeting decided.

It also envisaged use of advanced facilities to modernize the traffic control system step by step.

Steep slopes, sharp turns and narrow bridges are the first to be fixed, as all the present highways in the country will be improved in the next five years.

/9738

CSO: 4020/115

TRANSPORTATION

MINISTRY REPORTS ELECTRIFIED RAILROAD INCREASE

OW011216 Beijing XINHUA in English 0654 GMT 1 Dec 85

[Text] Beijing, 1 Dec (XINHUA)--China has built 2,500 kilometers of electrified railway during the sixth five-year plan period (1981-85), according to the Ministry of Railways.

The electrified railway technology and equipment are getting closer to the advanced world standards, the ministry said.

In the 1960s, China could build a little over 40 kilometers of electrified railway a year. But the country completed an average of 500 kilometers in each of the past five years. This year, more than 1,100 kilometers are expected to be completed and open to traffic.

More than a dozen electrified railways have been completed over the past five years. They include the Fengtai (Beijing)-Datong (Shanxi), Fengtai-Shanhaiguan (Hebei), and Neijiang-Chongqing (Sichuan).

In building electrified railways, China has adopted the A.T. power supply system and micro-computers to control train operation. In the past a power transformation station had to be built every 30 kilometers. Now there is one such station every 100 kilometers.

Electrification of railways will still be a priority project for the next five years, which will focus on railways for moving coal from Shanxi province, south-north trunk lines, port area railways and interprovincial railways.

High on the list are the Zhengzhou-Wuhan section of the Beijing-Guangzhou railway, the Yingtian-Xiamen, Guiyang-Kunming, Hunan-Guizhou and Sichuan-Guizhou railways.

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CSO: 4020/115

TRANSPORTATION

MEASURES AGAINST TRAIN TICKET SCALPING IN BEIJING

OW291336 Beijing XINHUA Domestic Service in Chinese 1323 GMT 28 Nov 85

[Article by reporters Pan Shantang and Zhang Jinsheng]

[Text] Beijing, 28 Nov (XINHUA)--A number of train ticket scalpers in Beijing Municipality have been arrested and duly punished over the past several days. Since 23 November the Ministry of Railways and the Beijing Railway Public Security Department have jointly been taking drastic measures to strike at the scalpers. As of 28 November 55 scalpers have been arrested, and some have already been punished according to law.

On 23 November, a passenger wrote to RENMIN RIBAO exposing the train ticket scalpers in Beijing Municipality for unscrupulously committing extortion against train passengers and bullying them. The Ministry of Railways and the Beijing Railway Bureau immediately set up an ad interim leading group and swiftly adopted measures to deal with the situation. On the evening of 23 November, nearly 200 railway public security policemen were dispatched to investigate the ticket offices at the Beijing Railway Station, Qianmen, Dongdan and Xizhimen.

It has been learned that the majority of the nabbed scalpers are local residents. Some are workers and staff, the unemployed, or government cadres. Some bought up tickets at the booking offices and resold them at higher prices. Others formed groups to control a block of train tickets and to commit extortion against passengers in the name of "maintaining order" by passing themselves off as "passenger representatives." They charged an additional 20 yuan on a ticket from Beijing to Shanghai. Taking advantage of the convenience in buying train tickets, some personnel of the concerned units buy more tickets than needed and resell at a profit. Such acts seriously harmed passenger interests.

It has also been learned that the railway department will take additional measures to seriously strike at illicit acts of ticket scalping and improve order at the railway stations and booking offices. All ticket scalpers will be seriously dealt with. Units found to have been involved in ticket scalping will be prohibited from buying group tickets. At the same time, a number of measures will be taken to make things more convenient for passengers, improve ticket selling, and reduce the waiting time in ticket lines. Loopholes in ticket selling will be sealed to avoid their being exploited by ticket scalpers and other illicit elements to the detriment of passengers.

/9599

CSO: 4006/368

TRANSPORTATION

THREE NORTHWEST RAILWAY TRUNK LINES UPGRADED

OW300937 Beijing XINHUA Domestic Service in Chinese 1328 GMT 29 Nov 85

[Article by reporters Hou Jiayin and Zhu Jianping]

[Text] Xian, 29 Nov (XINHUA)--According to today's formal announcement made by the General Command for Rush Repair of the Baoji-Tianshui and Baoji-Chengdu Railway Sections, after 4 years of intense upgrading work, the Baoji-Tianshui section of the Longhai Railway, the north section of the Baoji-Chengdu Railway, and the Yangan Railway which suffered extensive damage during the extraordinarily heavy floods of 1981 have now been greatly improved. The railway's resistance to natural disaster has been enhanced considerably. Their transport conditions have been improved, and their transport capacity has exceeded the predisaster level. The three railway lines have met the state requirements for "being safe during floods and for enhancing transport capacity" and the rush repair work has basically come to an end following on-the-spot inspections, tests, and certification by the Railway Ministry.

Between July and August of 1981, consecutive torrential rainstorms hit the southern Shaanxi and Guanzhong areas, causing flood disasters unprecedented in the past 1,000 years of local history. As a result, these three railways suffered serious damage. At the time, a contingent of tens of thousands of repair workers were urgently mobilized by the Railway Ministry. They worked courageously for 2 months and temporarily restored the railways to traffic. The State Council decided to carry out a thorough repair to upgrade the three railway lines. Now the railway lines have a new look. They are good and neat, their bridges magnificent, tunnels high and wide, and revetments solid and trim. With passenger and cargo trains shuttling over them, the approaches to and from Sichuan have put on a new dress.

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CSO: 4006/368

TRANSPORTATION

FUJIAN GOVERNOR URGES BETTER RAILWAY WORK STYLE

OW291430 Fuzhou FUJIAN RIBAO in Chinese 20 Oct 85 p 1

[Excerpts] Hu Ping, governor of Fujian Province, told reporters on the afternoon of 18 October: The reports carried by FUJIAN RIBAO criticizing some units and individuals at Shaowu Station for abusing their power for personal gains are very significant. Such reports have played an active role in improving party work style and social conduct. This problem must be properly addressed and tackled, he stressed.

Governor Hu Ping said: I have long been aware of the extortion committed against cargo owners by some units and individuals at Shaowu Station. Some cargo owners have lodged complaints with units and individuals who go so far as to demand foreign currencies.

Governor Hu Ping continued: In view of the growing needs for transportation, the railway transportation department has made all-out efforts to expand the railway transportation capacity by tapping its potential to serve the four modernizations. However, the existing problems in the railway work style must not be overlooked.

Governor Hu Ping stressed: In advancing the four modernizations, the "two civilizations" must be properly promoted. Without strengthening the building of the spiritual civilization, the building of the material civilization will be undermined.

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CSO: 4006/368

TRANSPORTATION

WAN LI URGES DOMESTIC USE OF CHINESE-MADE PLANES

OW221204 Beijing XINHUA in English 1117 GMT 22 Nov 85

[Text] Beijing, November 22 (XINHUA)--China should not import aircraft that can be made by domestic manufacturers, Vice-premier Wan Li said here today.

The civil aviation industry should do all it can to support the development of the Chinese aircraft industry, he said while inspecting two new types of civilian aircraft at Beijing's Capital Airport.

Wan Li stressed that Chinese-made aircraft must be put into service on domestic air routes. They should be used by not only CAAC, China's national flag carrier, but also by regional airlines in Xinjiang and inner Mongolia.

The two new aircraft are the Yun-7-100 and Yun-12-2, which have been developed by China's aviation industry.

Mo Wenxiang, minister of aviation industry, told Wan Li that the Yun-7-100 aircraft was developed from the Yun-7 model, which was refitted with 30 electronic facilities.

Together with other leading officials, Wan Li climbed aboard the aircraft and asked about its reliability and comfort as well as its economic potential.

Praising good refitting work, he said aircraft makers should import some equipment which they could not produce, but added: "It is right to manufacture aircraft with most materials and equipment made in China."

Some refitting work on the Yun-12-2, which was made by the Harbin Aircraft factory, was carried out in Hong Kong. The 17-seat aircraft meets standards set in the U.S. Federal Aviation regulations.

Flight demonstrations of the two planes were given in Beijing today.

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CSO: 4020/110

TRANSPORTATION

LEADERS STRESS DEVELOPMENT OF DOMESTIC AIRCRAFT

OW011154 Beijing XINHUA in English 1123 GMT 1 Dec 85

[Text] Beijing, 1 Dec (XINHUA)--Li Peng, Hu Qili and Yao Yilin, members of the Political Bureau of the Chinese Communist Party Central Committee, said here today China must rely on its own efforts to develop civil aviation, adding that China should not import those airplanes that can be produced by domestic manufacturers.

The three took a 25-minute trial flight on a new plane, yun-7-100, at Beijing's capital airport. They also inspected the flight cabin and other facilities. The yun-7-100 has 32 passenger seats with a flight range of 1,200 kilometers.

They also inspected a yun-12-2 plane at the airport. It has 17 seats with a flight range of 400 kilometers. It can also be used for geological prospecting, postal service and other special purposes.

Li Peng said that China would continue to import planes for major domestic air routes and international routes, but China could not depend upon foreign planes to expand its civil aviation.

Home-made aircraft should be made in batches and fly as many domestic air routes as possible, he noted.

Hu Qili said that the quality of the home-made aircraft must be guaranteed and safety should be placed above everything else. A complete quality control and testing system must be established, he added.

He also urged the CAAC, China's national flag carrier, to improve its management and service.

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CSO: 4020/115

TRANSPORTATION

HONG KONG PAPER ON DEVELOPMENT OF PRC CIVIL AVIATION

HK260701 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement)
in English 26 Nov 85 p 2

[By Diane Stormont]

[Text] The airline the world loves to hate is being dragged, kicking and screaming, into the 20th Century.

No other Chinese institution can possibly have garnered as many bouquets of barbed wire as China's state airline and air authority CAAC -- the Civil Aviation Administration of China -- but officials hope a stiff dose of competition will force it to pull itself up by the bootstraps.

Fragmented reports have been streaming out of China for months concerning the break-up of the CAAC monolith into quasi-autonomous arms and the competition they face from sanctioned independent mini airlines and the unsanctioned pirate operators.

But the rapid proliferation of the independents, allied with the erratic progress of the autonomous arms, has not resulted in the much-hoped for improvement in services, Western analysts say.

Instead, they say the situation falls just short of complete chaos as new rivalries build up between officialdom on the one hand and the bandits on the other.

And just to muddy the waters further, the military have taken up the cue and entered the civil aviation sector with a vengeance.

The unfortunate CAAC which according to its former director, Shen Tu, had to turn away 1.25 million potential passengers last year, is regularly taken to task in the columns of this newspaper for gross inefficiency, bumbling bureaucracy, total indifference to travellers needs and even, it is whispered, for practices that if not entirely corrupt, would certainly attract ICAC [Independent Commission Against Corruption] attention if they surfaced in Hong Kong.

Only last month a Business News reporter witnessed a passenger at Guangzhou airport being turned away because the aircraft to Beijing was full.

Without blinking, the passenger produced a 10 renminbi note and hey-presto, a seat suddenly became available.

So with China's declared decentralization policies loosening CAAC's grip on the nation's air travel scene, it is not unnatural for its long-suffering customers to hope CAAC would eventually evolve into a respectable Asian airline.

In terms of size, CAAC is no tiny operator existing on a shoestring. Not only is its survival insured by the government, but last year it carried 5.54 million passengers and 150,000 tons of freight.

When the decision to decentralize was first mooted in May last year, it seemed little more than a streamlining operation.

CAAC "arms" in five of China's more go-ahead regions would be given a degree of operational semi-autonomy, but little more was said.

A few months later, in December, China's Vice Premier Li Peng threw more light on development.

"New airlines will be spun off from some or all of CAAC's six administrative regions in Beijing, Shanghai, Guangzhou, Shenyang, Lanzhou and Chengdu," he said.

Four were definitely in the pipeline, namely Beijing's Air China, Shanghai's China Eastern, China Southern and China Southwestern.

Shenyang looked set to remain within the CAAC fold while Lanzhou's future remained a question mark.

Mr. Li went a bit further and confirmed rumors that CAAC and its offshoots would also face -- what only five years ago would have been regarded as unthinkable -- competition from outsiders, independent airlines established by bodies such as provincial authorities, autonomous regions and even large communes.

"The new airlines will be allowed to show profits...and invest such profits in their future development and acquisition programs," Mr Li said.

But true to the Chinese sense of caution, he added that "fares would be regulated" and "cut-throat competition and fare wars would not be permitted."

What's more, CAAC will retain control of air rights, landing rights and major airliner purchases.

Mr Li was probably blissfully unaware these eagerly awaited plans for China's creaky aviation were about to unleash a medusa-like monster.

Within months, scores of new "airlines" had taken to the skies.

Brandishing their new-found entrepreneurial skills, a group of peasants from Changping country near Beijing installed a few seats, polished the chrome on their crop spraying helicopter and began to whisk tourists up to a popular beauty spot, the Ming tombs.

The city of Wuhan, helped out by the Air Force which chartered it a plane, formed Wuhan Air Transport Services and won the approval of Guangdong gourmets last autumn when it ran a cargo of edible tortoise and eels to the markets of Guangzhou.

The backers of Anyang Airline of Henan provinces, Zhong Yuan Aviation Co, managed to whistle up six elderly aircraft and began services to Beijing and Zhenzhon [as published].

And the list goes on.

Most formidable of all is China United Airlines which was formed by the Air Force using military planes landing at military airstrips and which remains firmly outside CAAC control.

More than 30 of these independents -- or as CAAC officials call them, illegals -- have been indentified, although it is difficult to keep tabs on them, according to senior CAAC official Lui Gongshi.

CAAC looks set to attempt to wrest back control. Reports suggest its officials are, naturally, unhappy about the potential loss of influence and revenue -- CAAC, after all, is one of China's biggest foreign exchange earners, and brought in profits of 317 million renminbi (HK\$856 million) in 1983, three times as much as in 1980, according to Lu Ruiling, deputy director of the international division.

Its first move surfaced last June when a set of wide-ranging regulations were introduced from Beijing.

The rules, designed to underwrite safety and prevent unqualified operators from starting up were, in effect, an attempt to squash the sky bandits.

As outlined by Mr Gongshi in June, the regulations required any new airline flying internal routes to submit to a CAAC examination and take out insurance with the People's Insurance Co.

Those flying local routes within a province, municipality or autonomous region were told to get approval from their respective governing authority and those operating over longer distances were also required to obtain permission from the State Council.

By June, the CAAC had only officially recognized and registered four non-CAAC offshoot independents, Xingjian Aerial Transportation Co, Xiamen Aerial Transportation Co, Ocean Helicopter Co and Capital Helicopter Co, Mr Lui said, admitting that more than 30 others were operating without CAAC approval.

The approved list has since risen to 10.

The regulations did have some effect: the Changping country helicopter service was grounded nad Shanghai Aviation's 707s are reported to be rusting gently away on the tarmac.

But they failed to shoot down either the China Air Transport Co which flies passengers from Waiyang in Guangdong province to Beijing or the Air Force's China United Airways.

On the contrary, China United appears to be going from strength to strength.

Facing the pirates are the official CAAC regionals, with CAAC backing, and licensed independents.

China's first non-CAAC independent, Xiamen Aerial Transportation Co, go off the ground in January with an inaugural flight to Beijing.

It started off with CAAC hand-me-down Tridents and B737s, but like most of the others is negotiating for more modern aircraft.

Shenzhen won its wings only last week.

Gansu's airline, "Blue Skies," held its inaugural flight on August 15, leaving Lanzhou for Tianshui, a route not served by CAAC according to Ji Wingwei, chief of provincial economic commission transportation service.

CAAC offshoot, China Southern in Guangzhou, already has seven B737s on its books and will get another five from China's recent Boeing order, placed in May.

Southern, a joint venture between Guangdong, Guangxi, Henan, Hunan and Hubei, will be one of the largest independents, taking over most of the 53 routes operated by CAAC-Guangzhou.

Rivalling Southern in size in Southwest -- or Xinan in Chinese -- set up by the provinces of Sichuan, Guizhou, Yunnan and the Sichuan city of Chongqing.

At one point, it seemed to be the front-runner -- signing a U.S. \$100 million order for four Boeing 737 aircraft in July -- but still expects to be fully operational by the new year.

While CAAC offshoots struggle to get established, CAAC itself does not seem to be in too much of a hurry to scuttle the "pirates".

But whether CAAC will remain this laid-back once the licensed airlines are up and flying is another matter.

But CAAC does have a trump card up its sleeve if it really does want to stymie competition.

The administration still controls all aircraft purchases.

Unless the independents can raise the financing and place orders independently, their access to aircraft, other than the ageing Russian-built machines released on occasions by the Air Force, remains restricted.

CAAC also controls landing and air rights so the independents with international aspirations could find themselves limited to domestic rules.

The CAAC-controlled China Air Supplies Corp will continue to control all purchases, its deputy manager, Mr Li Daxing, said last December.

China's aircraft orders have surpassed all records this year, despite the foreign currency squeeze.

Reports suggest China has signed purchase agreements for close to 100 aircraft worth about U.S. \$1.5 billion from giants such as Airbus, McDonnell Douglas and Boeing, as well as smaller manufacturers, Shorts and Sikorsky.

The Soviet Union has not been left out in the cold -- and Hong Kong has won valuable refurbishing orders for Chinese-built jets.

But CAAC's deputy director said seat demand would continue to outstrip demand for more than three years.

"This situation will remain for a long time because the problem of CAAC's carrying capacity, improvement of aircraft facilities and telecommunications cannot be solved overnight."

CAAC's new director, Hu Yizhou, who took over from Mr Shen in March, was less optimistic and predicted it would be five years before its problems were alleviated.

Given the rapidly changing face of China's aviation scene few are willing to predict what flying in China will be like in 1990.

Within the next two years, the CAAC will have pulled out of all its operational functions and evolved into a Beijing-based ministry.

Within three years, China will have more than 70 new passenger aircraft in its fleet.

Within four years the engineers at the Shanghai Aviation Industrial Corp will be half way through assembling the 25 MD-82 kits supplied by McDonnell Douglas.

Also China's Y7 and Y12 factories in Harbin and Xian should be capable of carrying out the refurbishment program designed by the Hong Kong Aircraft Engineering Corp in Hong Kong and the China Aero Technology Ltd joint venture, South China Aero Technology Ltd.

The developments are certainly forging ahead, but will passengers at Guangzhou still have to pay an extra 10 renminbi to the ticket clerk just to get on board an aeroplane for a flight they have already paid for?

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CSO: 4020/110

EXPANSION OF QINHUANGDAO PORT

Hong Kong JINGJI RIBAO [ECONOMIC REPORTER] in Chinese No 38-39, 1 Oct 85 p 43

[Article by Zhou Jisheng [0719 4949 0524]: "Expansion of Qinhuangdao Port"]

[Text] The second phase of Qinhuangdao Port's coal-handling-dock project has been completed. The project's completion and its going into operation enabled the port to jump into being second in the world in coal export capability.

In recent years, the port of Qinhuangdao has increased its capacity to handle freight year by year. Last year it reached its planned 31.5 million tons 41 days ahead of schedule; this year it had a total of 35.79 million tons to be in third place among ocean ports for the entire country, in line behind Shanghai and Dalian. The port's 22.3 million tons of coal was the highest for the nation and accounted for 60 percent of the entire country's coastal coal export volume. If the planned 39 million tons for this year, of which 24 million tons are coal, can be accomplished, this port will be tied with Dalian Port for second place in the nation. Calculations based on the present volume of freight show that Qinhuangdao Port can possibly even exceed Dalian's volume.

Qinhuangdao Port is located on the shore of Bohai Bay in the northeast part of Hebei Province, a strategic passage to the north and northeast of China, there is a vast land area behind the coastal district that the Jingshan Railroad traverses, and shipping lanes extend in all directions. It is the hub of northern China's water-land transshipment of coal.

Qinhuangdao Port's original dock had a freight volume capacity of slightly over 10 million tons. On 1 October 1973 the first phase of the project was completed, the port's crude-oil-handling dock with a capacity of 10 million tons. The originally planned for second phase of the crude-oil dock was delayed due to problems with oil sources. But this year the state allocated 9 million RMB to resume construction on a dock that could berth 50,000-ton freighters.

In 1974, construction began on two 35,000-ton-class berths with a freight volume capacity of 1 million tons. After more than a year, the berths were completed and went into operation in December 1975.

The Qinhuangdao coal dock project is a modern, large, coal-exporting dock. Its main responsibility is the southward shipping and exporting of coal from Shanxi, Nei Monggol, and Kailuo. It is located 7 km east of the old port's location, the first and second phases combined occupy an area of 2,545 mu. The first phase of the coal dock was completed in December of 1983, it has two ship berths, one 50,000-ton berth and one 25,000-ton berth, and will have a freight volume capacity of 10 million tons. Construction on the second phase of the dock began in 1980, with part of the installation paid for by a foreign loan from Japan. The dock is a protruding dike type and has two 50,000-ton berths. Over 160 million RMB was invested plus about 30 billion Japanese yen.

The third phase of the coal dock is now under construction at the Qinhuangdao site. Total investment in this phase will be approximately 640 million RMB. This dock will have a large transport capacity and be next to the Daqi Railroad for loading purposes. It should be finished in 1988, and related international bidding should be completed by yearend.

After the third phase is completed, the coal dock will have 30 million tons of new transport capacity, adding the capacity of the first and second phases, the grand total will be 60 million tons. Adding this amount to the freight volume capacity of the original dock and the crude-oil dock, the total could reach 100 million tons, which will be among the best in the world.

In addition to the coal dock's third stage, two docks for various goods--third- and fourth-class docks--will be built having a total of six berths. Investment for these docks will total 350 million yuan, and the designed freight-handling capacity will be 3.5 million tons. These docks are also expected to be completed in 1988.

Along with dock construction, a 10-million-yuan investment is also being made in facilities for delivery of oil that includes 160 storage tanks, a landing stage for unloading, and 2.6 km of railroad track. These facilities will be able to transport 300,000 tons of oil annually. An investment of over 4 million yuan was also made in building a shipyard, while 3.5 million yuan was spent on establishing a large radio station for shipping affairs that will serve freighters around the clock.

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TRANSPORTATION

BRIEFS

JAPANESE TRUCKS ACCEPTED--Beijing, November 18 (XINHUA)--Chinese Vice-premier Tian Jiyun today thanked the Tokyo Sagawakiubin Company of Japan and the Japan-China Friendship Association's headquarters for presenting 6,000 trucks to China. At a meeting with a delegation from the Japanese company headed by Hiroyasu Watanabe and with Masao Shimizu as its advisor here this afternoon, Tian praised them for having made a great contribution to Sino-Japanese friendship. Hiroyasu said, presenting the trucks to China is an economic aspect of the spirit of the joint statement between the two countries' governments and such activities would promote the friendship between the two peoples. The first 200 trucks were shipped to Tianjin Port last September and have been sent to China's Xinjiang Uygur autonomous region and Hunan Province. The other trucks will also be delivered to remote and economically developing areas which claim precedence over others. The trucks have been presented to China through the China-Japan Friendship Association and the Chinese Center for Friendly Cooperation with Other Countries. This evening, a presentation ceremony was held at Beijing Hotel. Chinese State Councillor Gu Mu, president of the Chinese People's Association for Friendship with Foreign Countries Wang Bingnan and President of the China-Japan Friendship Association Xia Yan were also present. [Text] [Beijing XINHUA in English 1924 BMT 18 Nov 85 OW] 12624

INTERNATIONAL RAILWAY TRANSPORT EXPANDED--Beijing, November 25 (XINHUA)--China is handling 10.47 million tons of import and export goods this year by international rail freight, more than twice as much as in 1981. The freight volume in 1984 exceeded eight million tons, a 61.8 percent increase over 1981, according to the INTERNATIONAL BUSINESS journal. During the Seventh Five-Year Plan period (1986-1990), the international rail freight volume will expand annually by an average 10-15 percent, the paper added. [Text] [Beijing XINHUA in English 0844 GMT 25 Nov 85 OW] 12624

SOUTH CHINA SEA VOYAGE--Guangzhou, November 23 (XINHUA)--A survey ship for ocean aquatic products research, the first built by China, is on her maiden voyage to the South China Sea. The 1,000-ton "Nanfeng 703", which departed from here yesterday, is equipped with satellite navigation facilities and five laboratories. It was built by Guangzhou fishing shipyard. [Text] [Beijing XINHUA in English 1253 GMT 23 Nov 85 OW] 12624

CONTAINER SHIPPING SERVICE EXPANDED--Shanghai, November 24 (XINHUA)--China's foreign trade cargo shipped in containers has increased at an average annual rate of 54 percent in the past five years, according to experts here today. The country's home-trade cargo shipped in containers this year is expected to be 6.5 times that in 1980, they noted. Seventeen of China's seaports now handle container traffic. A total of 26 international container shipping lines and 13 inland lines have so far been opened. The designed annual cargo-handling capacity of the container shipping berths built or remodelled in China in the past five years is more than one million containers, they said. At present, they handle 850,000 containers a year. The country has a fleet of 50 ocean-going container ships, they added. Bigger progress is expected in container shipping service in the next five years. [Text] [Beijing XINHUA in English 0810 GMT 24 Nov 85 OW] 12624

CHINA PLANS TO MODERNIZE NAVIGATION--Nanchang, November 25 (XINHUA)--China has planned a 15-year scheme to modernize navigation on the Yangtze River, including its water channels, ports, ships and navigation aids. According to a recent meeting on the work, water channels navigable for ships of over 300 dwt will double by the end of the century. This means such ships will be able to reach all major cities along the river and its major tributaries, the meeting, held by the Ministry of Transport in Nanchang, capital of Jiangxi Province, reported. Major ports along the river are expected to handle 830 million tons of cargo and 200 million passengers a year, an increase of 160 and 270 percent over 1980, respectively. Thirty-nine new ports will be built on 33 major navigable tributaries, and there will be ten berths meant exclusively for foreign trade. New technology will be introduced to ports east of Nanjing to handle ocean-going container ships, and ports west of Nanjing will be adapted to service domestic container vessels. A new communications system including radar stations and short-wave radio systems will be installed to help navigation. The 6,300 kilometer Yangtze is the longest river in China, draining one-fifth of China's land area. Over 90 tributaries of the river are navigable, for a total of 11,000 kilometers. [Text] [Beijing XINHUA in English 0718 GMT 25 Nov 85 OW] 12624

RAILWAY STATION INCREASES CAPABILITY--Shenyang, November 20 (XINHUA)--Construction completed today has made Shanhaiguan railway station, in the port city of Qinhuangdao, able to handle electric locomotives. The station is a terminal of a new 281 km electric railway from Beijing to carry coal mined in Shanxi Province, China's leading coal producer, to northeastern and eastern regions, as well as abroad. Because of a lack of transport, only 124 million of the 187 million tons of coal mined last year in Shanxi were transported out. A railway official noted that the completion of the Shanhaiguan project will help complete the construction of the railway ahead of time. The railway, the construction of which started in 1982 with loans from Japan, was originally planned to open by the end of 1986. [Text] [Beijing,XINHUA in English 1837 GMT 20 Nov 85 OW] 12624

RAILWAY SECTIONS IN SHAANXI--Xian, 4 Dec (XINHUA)--A four-year transformation of three railway sections, mostly in Shaanxi province, has enabled them to transport an estimated 34 percent more freight this year, compared to 1984. According to local railway officials, a total of 26,300,000 tons of freight were carried on the Baoji-Tianshui section of the Longhai railway, Baoji-Chengdu section and Yangpingguan-Ankang section last year. The railway sections were damaged by landslides and floods due to a spell of torrential rain in the southern and central parts of Shaanxi province in July and August 1981. Soon after resuming traffic service on the lines that year, the Ministry of Railways began to upgrade them. Altogether, 124 tunnels were dug, 28 bridges built, and 10 lines rerouted. [Text] [Beijing XINHUA in English 0730 GMT 4 Dec 85] /9738

SHANGHAI TRAFFIC SAFETY MEETING--(?According to information obtained by this station's reporter from the Ministry of Communications), the Municipal Government [words indistinct] held a mobilization meeting yesterday on the municipality's urban traffic during this winter and next spring. Mayor Jiang Zemin (?spoke) at the meeting. (?He said): Currently, urban safety in the municipality has become a pressing problem. Leaders at all levels should fully understand [words indistinct] consolidated method of dealing with it [words indistinct] with everyone taking hand. Currently, it is especially necessary to strengthen (?the unit) to maintain the urban traffic during this winter and next spring at a satisfactory level. Vice Mayor Ni Tianzeng presided over yesterday's meeting. At the meeting, (Xia Keqiang), deputy secretary general of the municipal government, conveyed the 10 measures adopted by the municipal government to ease the tense traffic situation in the municipality. He said: As of noon yesterday, the number of people killed in traffic accidents in the month of November had reached 71, which is a toll unprecedented since the country's founding. [Excerpt] [Shanghai City Service in Mandarin 2300 GMT 29 Nov 85] /9599

FOUR-BERTH HARBOR--Nanjing, 30 Nov (XINHUA)--A four-berth harbor, which can accommodate 25,000-dwt ships, was opened today on the lower reaches of the Yangtze river in Jiangsu province. Dagang harbor is 28 kilometers from the communications hub of Zhejiang, and near the point where the Beijing-Hangzhou grand canal crosses the Yangtze. It will handle the flow of goods to and from parts of Jiangsu and Anhui provinces, and relieve the strain on Shanghai port. [Text] [Beijing XINHUA in English 1449 GMT 30 Nov 85] /9738

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